

★ MARKET NEARS DECISIVE TURN? ★

*The* **MAGAZINE**  
*of* **WALL STREET**  
*and* BUSINESS ANALYST

FEBRUARY 15, 1947

50 CENTS

1947 SPECIAL

Re-Appraisal Of Security Values  
Earnings and Dividend Forecasts

PROSPECTS FOR  
ALL LEADING COMPANIES

— From BUSINESS and  
INVESTMENT Standpoints

★ *In This Issue* ★

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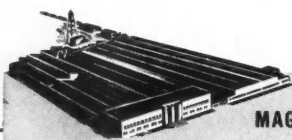
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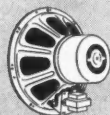
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## THE MAGAZINE OF WALL STREET and BUSINESS ANALYST

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Advertisement

## WALL STREET

### "WE THE PEOPLE"

March 30, 1940 . . . Not for ten days yet will Hitler change his Sitzkrieg into a Blitzkrieg by attacking Norway, Denmark. The misguided still talk of a "phony war." Against a background of doldrums on front and financial pages, top news of the day for stock marketers is the merger of bigwig Wall Street firms Merrill Lynch (underwriting), E. A. Pierce & Co. (biggest broker) and Cassatt & Co.

August 18, 1941 . . . The Nazis drive on Leningrad. Still newsworthy is the merger of Merrill Lynch, etc., with Fenner & Beane (second biggest wire house and commodity broker).

**Birth of a Name.** Promptly, because of its 49 active partners, 1800 employees, and four score offices, the new firm is dubbed "We the People." And ever since, that is what Merrill Lynch, Pierce, Fenner & Beane has been called in the canyons of downtown Manhattan, in newspapers and magazines across the country.

MLPF&B and the 3,060 people now in its employ like that name. Reason: it implies the fact that an investment business in order to succeed must inevitably be a people's business for it's a workaday world in stocks, bonds, and commodities now, just as it is in steel or soap or cereals. Gone from Gotham's financial center are wing-collar customers' men, striped-pants brokers, and so-called inside tips.

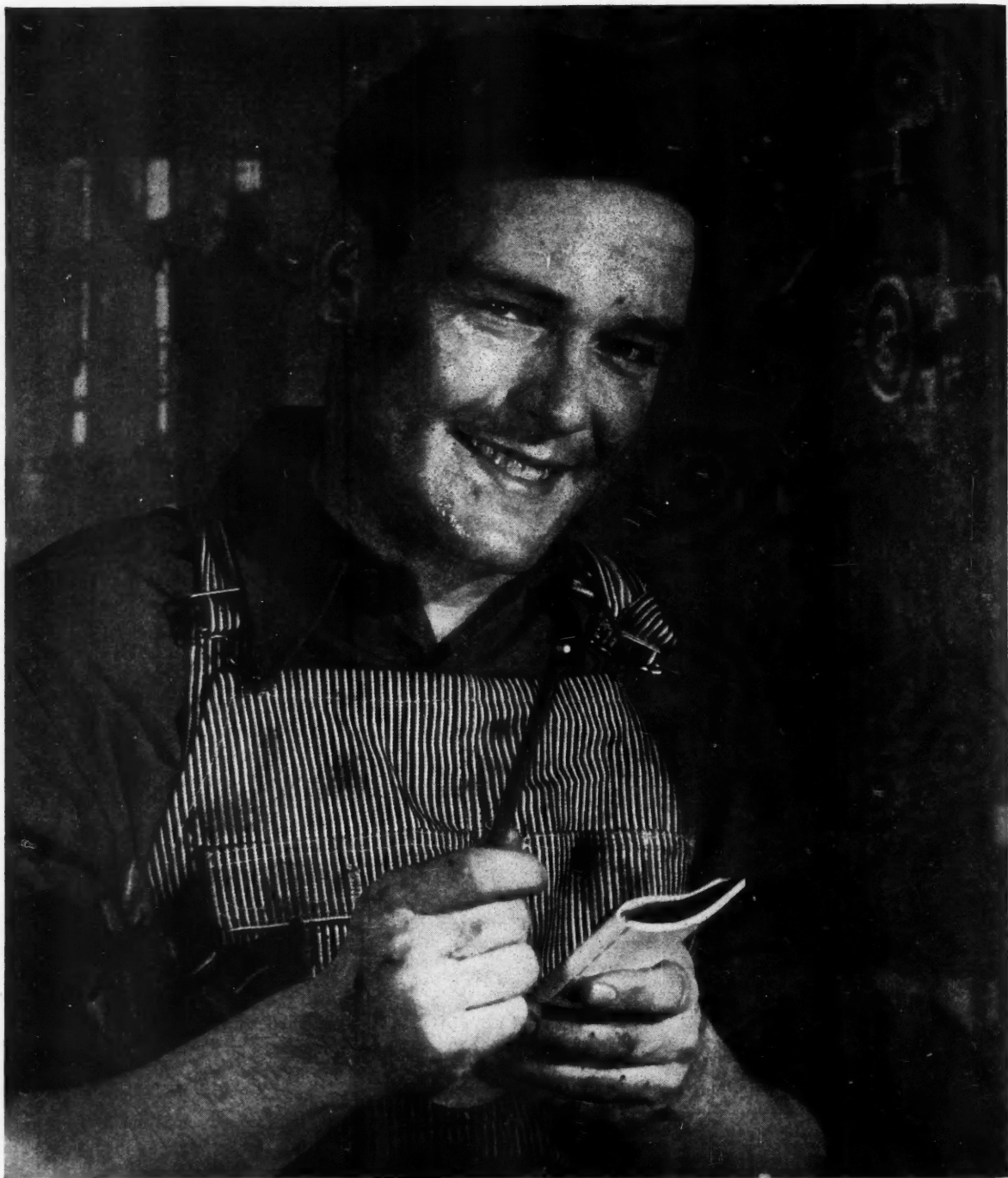
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# Labor Relations Outlook Brightens

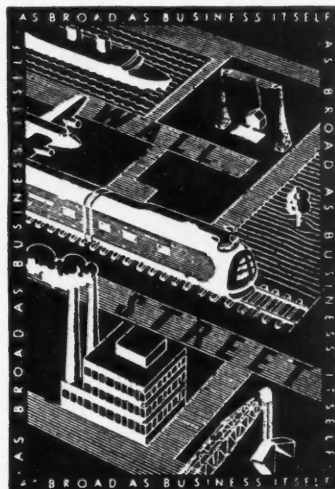


In contrast to last year's costly labor strife, the race towards full production in 1947 seems likely to face far fewer hurdles. The eyes of the world are now turned to appraise what American Democracy can ac-

complish when management and labor pull together. To the rank and file of labor this raises hopes of steady work at high pay, a welcome change from the expensive and ill-advised union strategy which featured 1946.

# THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Publisher*



## The Trend of Events

**PROOF OF THE PUDDING**—In these days of the second peacetime year, when international disagreements, political differences at home and “boom and bust” controversies are on everyone’s tongues, one picture is shaping up which warrants a wide measure of confidence, if not self-congratulation, to our nation. This is the over-all progress achieved by industry last year in the face of serious adverse factors. Despite the expected burden of reconversion in physical terms, regardless of materials shortages, cost-price squeezes and, above all, record breaking labor strife, the end results as a whole were highly favorable. Little by little, the increasing stream of annual reports coming to hand reveal a successful struggle against heavy odds which only a few months ago caused deep worry for shareholders in most enterprises. Better yet, managements very generally view the outlook ahead with widespread assurance, and in relating last years difficulties surmounted treat them with the matter of fact calmness of a good soldier reporting after a tough mission.

While earnings gains in many instances, as well as dividend increases, proved heartening to shareholders, and in other cases net results for 1946 proved equally discouraging, on balance industry quite clearly made far more satisfactory profits than experienced students were willing to predict last summer. But granting full allowance for such aids as tax carry-backs, non-recurring profits and rapid price advances after the termination of OPA, indeed disregarding financial results entirely, the most significant aspect of the record is comprised of intang-

ibles. The intrinsic vigor displayed by the entire economy in forging ahead to refute pessimists, the intelligence and efficiency of innumerable managements shown under record breaking handicaps, provide a basis for continued confidence in well sustained prosperity during the period ahead. Gloomy statisticians relying upon past history to bolster their predictions of hard times in the offing may have to take to the woods when modern managements take off their coats, as they are now doing, to disprove academic theorists. This ability was amply proven last year and can be counted on again. The curtain has risen, beyond any doubt, when the American way of doing things will cheer both its supporters and its international observers.

**SWANSONG OF ISOLATIONISM**—We hope, at least, that this is a proper label. Between an intelligent appraisal of our Nation’s position in this changing world and the trend of thinking in Washington, there is ground for belief that public opinion has come to recognize the inevitable. Whether some of us like it or not makes no difference. The imprint of war and the advance of science have brought forth the inescapable fact that the boundaries of the globe have contracted to very small dimensions while our own stature and strength have expanded at the same time. This gives us an equal degree of responsibility and opportunity which cannot be hidden under any self-sufficient mask. And as things look now, we are making steady progress towards taking our valid role as a world leader.

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS

:

1907—“Over Forty Years of Service”—1947

Both for humanitarian and economic reasons, our attitude towards the broader development of foreign trade seems likely to become the determinant of our own as well as international stability in a stricken world. Scores of foreign nations are in sore need of our goods to restore and enhance their standards of living to rational proportions, and unless we supply these essentials on fair terms, the excess productive capacity which we have built up may swamp us with its very weight, to breed depression, unemployment and ruin here at home. Now the determination of fair terms no longer can rest upon mere credit as formerly, but must be tied to a wisely adopted program of give and take, now crystalizing in the form of Reciprocal Trade Treaties. Gone are the days when a rigid tariff wall offers us any protection.

Despite the traditional stand of Republicans against opening the door to competition from goods made by foreign forced labor, there is heartening evidence that their leaders are coming to approve the State Department's sensible plans to bring imports and exports more nearly into balance as the only possible way by which foreign trade in either direction can be sustained. Now that the State Department has expressed a willingness to include an escape clause in all trade treaties so that where obvious injury to domestic producers in any country becomes obvious, the way is left open for corrective steps, it seems likely that the Republicans will offer whole hearted support. This will be highly desirable for both American buyers and sellers, because it will assure reciprocal terms satisfactory to us.

The article "Interim Report on Status of European Reconstruction" appearing in this issue reports to our readers the problems and progress of the peoples of Europe. In our own self interest we must recognize that our expanding economy calls for foreign trade, not self-sufficiency or isolationism, and we cannot deal profitably with a pauperized world. Where economic distress grows, with it springs up the choking weeds of communism and other isms so alien to our ideas of democracy.

**TRIMMING THE BUDGET**—Granting that the layman has only a slight conception of how complex the ramifications of Government have become, it seems absurd to claim that its present activities cannot be deflated on a large scale without endangering the all important public welfare. Although Mr. Truman claims that no cuts can be made and many Congressmen in the final analysis may agree with him, politics rather than common sense must be a prime factor in reaching any such conclusion. That Federal spending should continue on a scale that involves the employment of more than twice as many civilian employees as in prewar is almost unthinkable in a time when the hard pressed public has to furnish funds for their wages through dozens of indirect taxes on top of regular income tax payments. Despite the patronage loss to politicians this situation must be corrected.

In other ways, too, our citizens and business men deserve relief from much unnecessary paper work now forced upon them by zealous bureaucrats in Washington. In mail after mail come forms which must be tediously and expensively filled in to provide statistical information to numerous different Federal Departments. No study of the budget is required to envisage creation of a single Bureau of Statistics to replace the swollen clerical staffs of the Census, Commerce, Agriculture, Labor, Internal Revenue and SEC Bureaus. By this means duplication of time and expense would be avoided at both the level of Government and that of the public, without the least loss in end results. And by the application of modern business experience, thousands of simple steps towards economy in every direction could tend to avoid waste. For example, ask for a copy of the current income tax form and you are likely to be handed a dozen forms by a smiling clerk, most of which find their way to the waste basket in the end. High wages are paid by business concerns to efficiency experts all over the land to detect and correct small matters like this, for they add up to huge savings in the final tally. With single Departments of the Government now paying more employees than any industrial concern in the economy, it is high time that their heads be held accountable for extravagances which no private enterprise would tolerate for long. Bipartisan steps by Congress to overhaul Federal Bureaus along these lines would be a test of real statesmanship.

**PROGRESS OF UNITED NATIONS**—President Truman's first annual report to Congress on the status of the United Nations and clarification of our policies and action in this tremendous undertaking deserves commendation. Everyone will echo his sentiments relating to the generally broad progress achieved, stirring hope that this historical experiment will prove to be the salvation of civilization.

Few in this country will treat casually the President's broad hint that serious difficulties still lay ahead and there lurks danger lest the entire program be betrayed. Mr. Truman is to be thanked for this sobering note in his otherwise encouraging report, as public enthusiasm should not be allowed to gloss over the many hazards in the offing. It is none too early for our citizens to gain a better grasp of the broad aims of UN and its elaborate set-up. When a better understanding becomes possible of the ramifications involved, wholesome differences of opinion are bound to arise, for it could well be that dreamers of a new world in the making have overshoot the mark by making the UN too unwieldy.

When attempts are made to drag in questions of Education, Human Rights, Science, Finance and Foreign Trade, desirable and essential as they may seem in the long run, so many different nationalities and conflicting views may combine to create needless confusion and delay in answering the world-wide prayer for peace.

# As I See It!

By ROBERT GUISE

## HEADLINES

THE NEWS appearing in the daily press relating to Russian spy activity is really old stuff. Something we have known for a long time. Yet, incredible as it may seem, we have taken few decisive steps to protect ourselves against these underhand and subversive onslaughts. Our neglect has permitted these activities to continue and expand brazenly.

The basic factor that has prevented us from taking the proper corrective steps has been the infiltration of red propagandists in our press. Whenever we are particularly aroused they halt offensive action on our part by demanding freedom of speech and freedom of the press. And, when things get too hot for the spy ring they resort to misleading headlines to play down the subversive intrigue on the one hand and to play up the Russian spokesmen at the United Nations and elsewhere. By this well timed strategy more favorable impressions are built up in the public mind.

As a result, in front page stories featured by even some of our most reputable and outstanding daily newspapers which seek to maintain an informative and objective attitude, the head lines frequently do not jibe with the facts or even the stories that follow. This was particularly true of certain Molotov speeches which conveyed the impression that he was giving away on certain points when actually the text of the story showed it to be no more than a cleverly planned feint. Knowing that we are a nation of headline readers, the Russian propagandists have acted with sly astuteness.

I know that in publishing a paper which has to go to press every single day, it is very difficult to check closely enough to prevent the use of the publication by subversive agents particularly trained by Russia for the special purpose. Under these cir-

cumstances they are bound to "get by" repeatedly.

But in view of the fact that we are dealing with the most elaborately developed propaganda machine in history, newspaper publishers must find a solution to this problem if the people of this country are to realize and understand the truths about Russia and her nefarious plans to overturn the government

of the United States in order to set up Communism in its place.

The only solution to this problem without endangering freedom of speech seems to be in a broad program to match wits against wits. The test centers not so much upon what it said by the Reds as alert and well timed counter claims to offset its impact. For example, if it be true that they are allotted 18 hours daily on the international airwaves to broadcast their propaganda to this country, we also should respond with a barrage of equal intensity. The press should be organized on a broad scale, just as in war years, to understand and adjust strategically devised material with an eye to eliminating undue emphasis upon subversive written material. In other words, by common planning rather

than by culling or censorship, it could be played down or attended with offsetting material.

Secretary Marshall's frank statements as to Russian aims and progress in unravelling the secrets of atomic energy are bracing supporters of strongly maintained security measures here at home. The stark fact, however, is that aside from a matter of definition we are just as much at war today as we have been during these last few years, and that we do not seem to be measuring up to the demands in this serious phase of our existence. Since the press and radio presently are our most potent weapon, they should grant no undue license. Rather should they unlimber their guns to repel the assault.



Knott In the Dallas Morning News

"Rocky Path"

# Market Nears Decisive Turn?

The intermediate market trend is upward. Those investors who have not yet done so should place one half of their intended commitments in the Ten Market Leader Stocks recommended in our January 18 issue. The

bullish signal given by our Market Support Indicator on January 18 has had further supporting evidence. A prudent cash reserve should be held for further opportunities as they crystalize and are recommended.

By A. T. MILLER

**T**HE MARKET has turned in an increasingly strong performance since our previous analysis was written a fortnight ago. Our weekly indexes have made new recovery highs. So also, of course, have the Dow-Jones daily averages. Volume indications are encouraging, in that activity continues greatest on rising prices but recedes on profit-taking pauses.

There are several technical considerations of possible significance. One has been the leading role played by the automobile stocks, especially Chrysler and General Motors. In the past their performance, good or bad, has influenced speculative-investment sentiment more than have any other two stocks which could be named. That it has some real substance in this instance is undeniable, for now that production is rolling, auto earnings are good and rising—

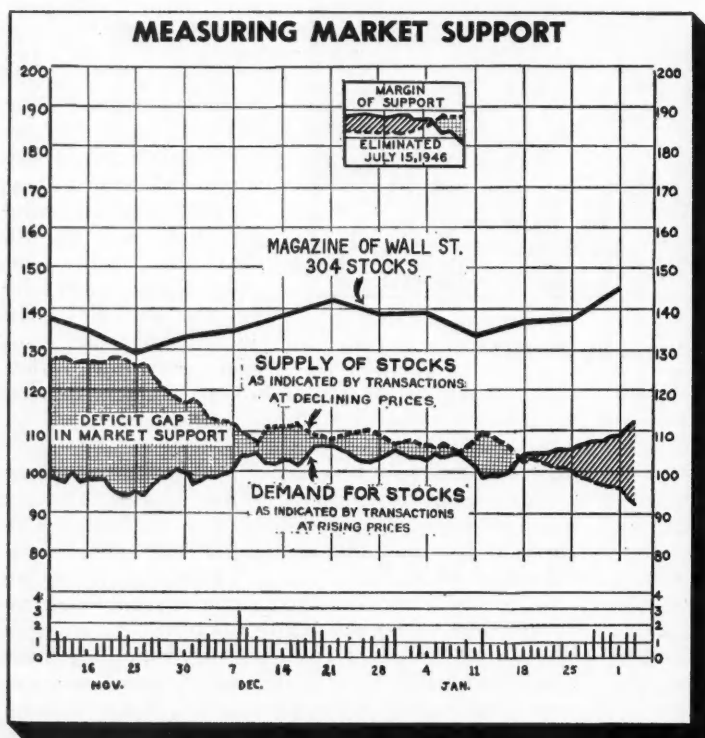
a fact dramatized by restoration last week of the \$3 General Motors dividend rate. A more spectacular increase in the Chrysler dividend is no doubt in the offing.

A second consideration, important in the minds of many traders and professional analysts, is the fact that the Dow rail average has now followed the industrial average to a new intermediate-recovery high. There will be difference of opinion among the Dow-Theory analysts as to the significance of this "confirmation." Some take it as a bull-market signal. Others doubt it, taking the evidence to date as "borderline." All agree that it strengthens the case at least for further medium-term rise, subject, however, to normal technical corrections.

## Broadening Speculative Demand

As noted in our market analysis completed for press January 27, the probability of at least a substantial recovery—and the possibility of a new bull market—was indicated as early as January 18 by our "Market Support" chart. Nothing has yet occurred to reverse that. On the contrary, as will be seen on the graph, the margin of support has widened considerably. In fact, there is now clear evidence of the broadening in speculative demand which the January 18 "crossing" of the lines in the "Market Support" indicator foreshadowed. This is reflected in the increased number of stock groups participating in the rise and—which may be especially significant—by the first emphatic response by our weekly index of 100 low-price stocks.

As the accompanying graph of this index shows, demand for low-price stocks—the best of all measures of risk-taking sentiment—had been decidedly static heretofore. On the considerable November-December rally in the Dow industrials, the index did very little. Over the past fortnight,

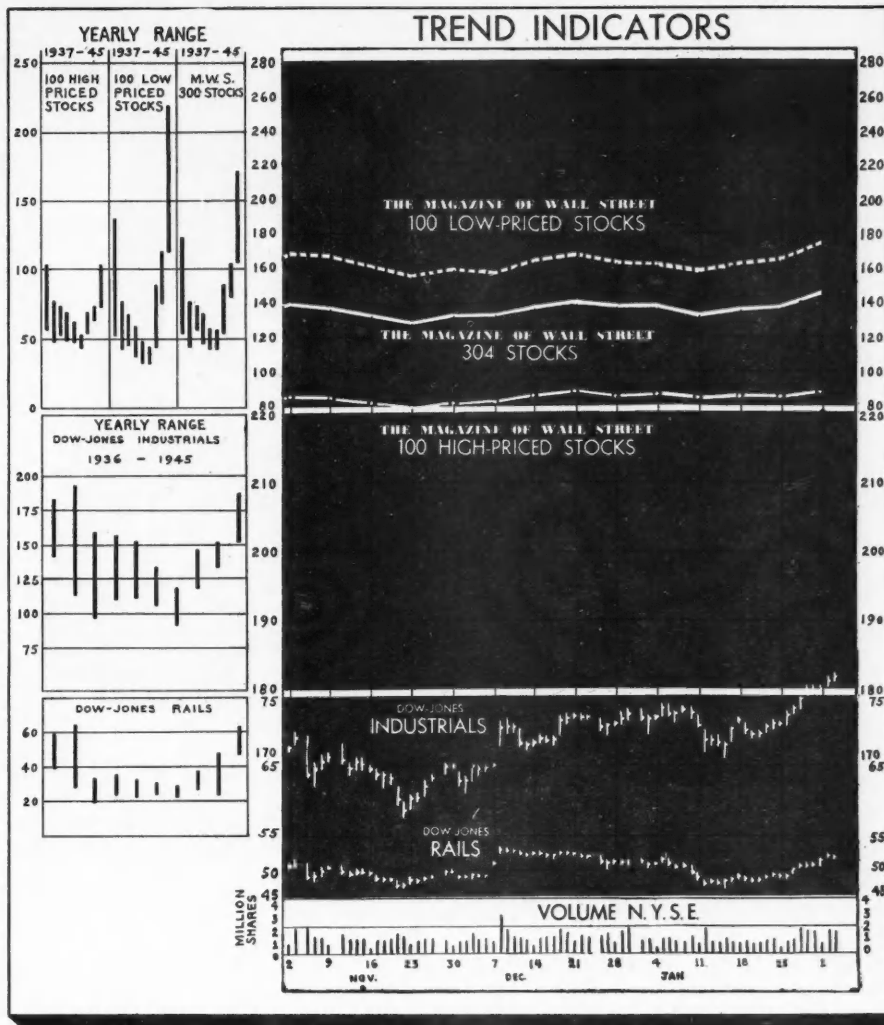


however, it advanced nearly 11.5%, against less than 6.5% for our index of 100 high-price stocks. We have made the point many times that speculative demand has more trend significance normally than investment demand. The only exception appears to be in the initial recovery from an extreme bear-market low; which is certainly not the situation now, for in relation to its entire historical range, at least, the list is in medium-high ground.

On the indications heretofore cited — especially confirmation of the January 18 change in the supply-demand relationship by the emphatic improvement in our low-price stock index—we feel more confident about market potentialities than it has been possible to feel heretofore. At the same time it is not possible to answer, with adequate assurance, the question whether the present movement is a recovery which is likely to stop short—possibly quite a bit short—of the 1946 highs in the averages, or the inception of a new bull market. So far as the present technical evidence goes, it could be either; and to make out a sufficiently conclusive case for a bull market probably will take both upside and downside tests over a period of at least some weeks, perhaps even several months.

Therefore, no all-out investment policy can be prudently recommended. The evidence appears clear enough to call for some selective buying, without which there is risk of missing out on an advance which could prove important and which might develop into major proportions. On the other hand, bull-market potentialities are sufficiently debatable to make utilization of all cash reserves of dubious wisdom. Hence, we believe a compromise policy is the most sensible one, making partial commitments in individually attractive stocks, yet retaining substantial reserves.

In our January 18 issue we presented a list of 10 Potential Market Leaders. We now advise immediate purchase of half-lots of them. For example, if you had contemplated buying 100 shares of any, or all, of them, buy 50 shares and defer the balance pending our later buying advice. The 10 stocks are Anaconda Copper, Atchison, Topeka & Santa Fe; Beatrice Foods, Chrysler, Consolidated Edison,

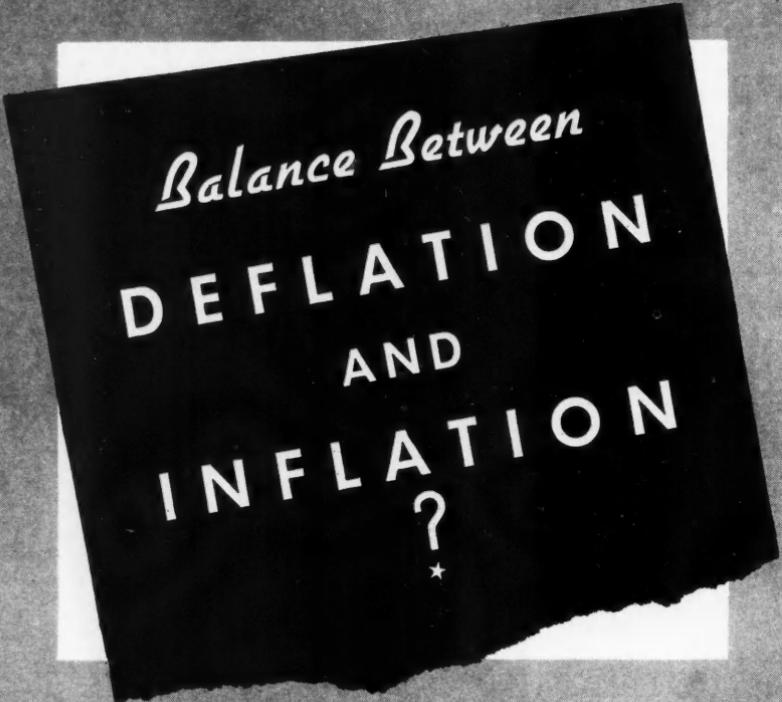


General American Transportation, Lone Star Cement, Shell Union Oil, Simmons Company and United States Steel.

### What's Ahead For Business?

On the pros and cons of the external considerations—the economic outlook, earnings, dividends, labor relations, labor legislation, commodity price trends, the drift in foreign affairs, tax relief, the apparent end (last week) of the portal-pay threat, etc.—a volume could be written. We refrain, and not alone for space reasons. The question of a deflationary economic readjustment was raised by a bear market, which went a lot further in the rank-and-file of speculative stocks than was pictured by the popular Dow-Jones averages. That fear has been relieved by the market rise. As to whether it was unfounded, and is to be completely dissipated, we reason that market action over the period ahead will provide the most reliable clue.

Readers are referred to the article "Balance Between Deflation and Inflation" appearing in this issue for a thorough treatment of this subject. As said before, the stock market will in time resolve the debate—Monday, Feb. 10.



*Balance Between*  
**DEFLATION  
AND  
INFLATION  
?**

By H. M. TREMAINE

NOT SO MANY MONTHS AGO, when OPA was under severe attack and struggling against a premature death, who doesn't remember the dire warnings against the "terrific" inflation the country would face, if price controls were allowed to die. Today, barely three months after removal of price control on November 11, 1946, the cry of inflation has died down to a whisper. Instead, another spectre—deflation—is rearing its head. Even the Federal Reserve Board, formerly a great warner against inflation, has acknowledged a change of the tide. When recently reinstituting margin trading in stocks, the Board has publicly stated its view that inflationary risks are past. By implication, it thereby expressed the belief that a deflationary period may be near; for according to all experience, the end of a considerable inflation such as we had in recent years has always meant just that.

What happened in the short span of three months to bring about such a drastic reversal? Well, a number of things occurred, as we shall see later, but to get at the root of the matter, we must look farther back—to the Spring of 1946. The severe strike wave we then experienced took the bloom off inflation, not immediately but nevertheless inexorably. This may sound paradoxical, for haven't we seen for ourselves how strikes deepened and prolonged the shortage of goods, how this shortage drove prices higher and higher and created flourishing

black markets? Indeed they did; the initial effect of the strikes was strongly inflationary. But the secondary effect, and in the long run a far more incisive one, was deflationary in that it speeded consumer resistance to rising prices. Soaring living costs began to bite into consumer purchasing power and by their sheer threat of dissipating it, they carried their own remedy.

Much of the inflationary upthrust could have been minimized, had removal of price control come sooner. Valuable time in reconversion and readjustment process was lost by delayed return to the law of supply and demand. Contrary to alarmist predictions, such return when it ultimately came about did not intensify long-range inflation. Instead, it paved the way

for an amazingly quick reversal of trend, leading to the widespread belief that 1947 will definitely bring a turning point.

Undoubtedly, as recent events have proved, the whole price situation is undergoing considerable overhauling but there is danger in generalizing. The storm signals have been flying for some time. Price trends have become increasingly selective but—some are still advancing. Still, the belief is growing that price inflation has about run its course.

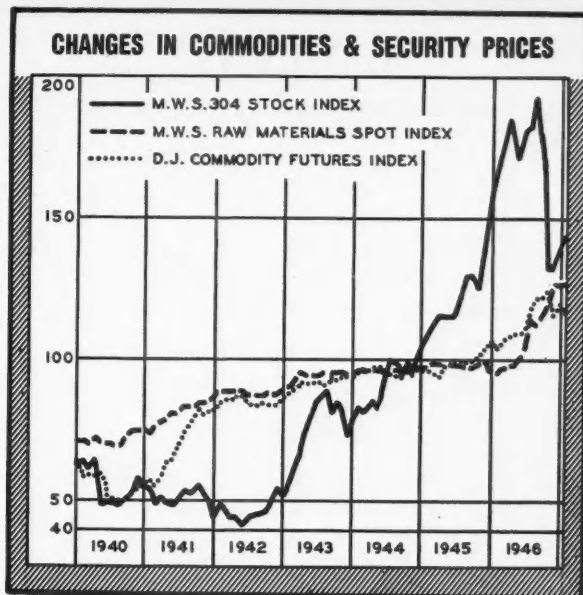
Of late there have been a number of sharp price swings in various fields. Luxury lines such as furs, jewelry, silk goods, etc. took a bad beating price-wise even before the turn of the year. Most of them were grossly overpriced and the public simply rebelled. Agricultural staples have been slipping down since last autumn, in the face of actual and prospective bumper crops. Prices of foods have been considerably affected, and the price weakness is spreading gradually into other lines, notably textiles. But elsewhere it is found that the trend is still upwards, or else prices remain at the advanced levels reached after the lifting of controls. Industrial prices, for instance, will not go down easily and some still have to reach their postwar peak. The same is true of metals, most building materials, fats and oils (except butter and lard) and most raw materials important to industry.

This merely goes to show that sharp price swings

often fail to reflect the true trend. While recent price breaks got most of the headlines, the general price structure—except foods—still is showing considerable strength. To mention but two, copper and rayon prices were advanced only last week. Even cotton, after a severe fall, is again perking up pricewise. In short, the price situation is one of ferment and it is easy to exaggerate the price cuts that have occurred so far. The postwar price inflation may be approaching a turning point but the end has by no means been reached. Higher freight rates, impending wage boosts and continued shortages of many goods tend to support prices in many lines. In others, however, development of price weakness does reflect actual and prospective increase of supplies, as well as growing selectivity among industrial buyers and consumers as to quality and price. In business circles, price uncertainty is inducing postponement or curtailment of forward commitments. Individuals are becoming highly price and quality conscious. It is the kind of action that usually has a snow-balling effect but no complete reversal must be expected overnight.

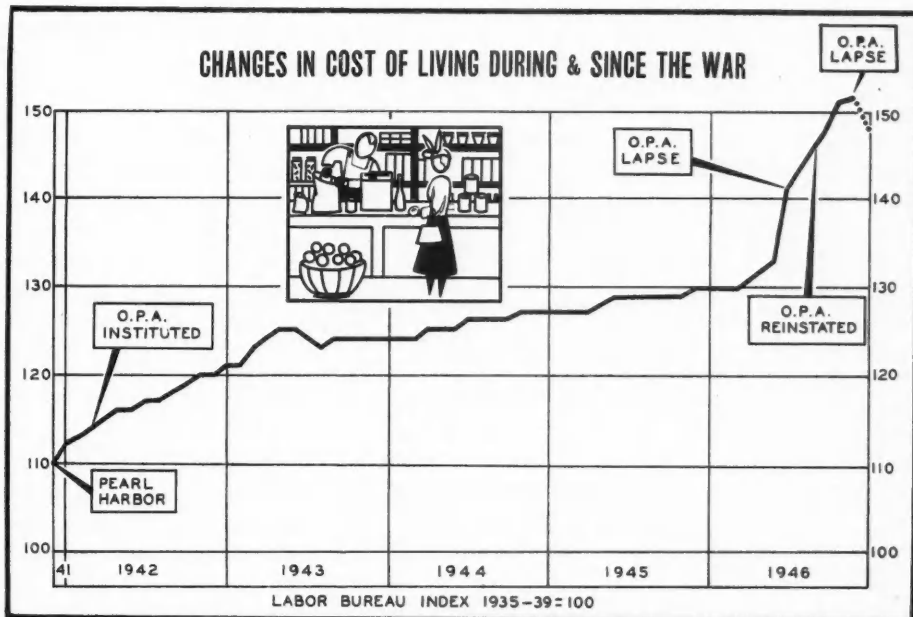
For while the ferment continues, we shall discover that some prices are on the way down well before the majority have climbed to their peak. What we witness now is an item-by-item readjustment process, a readjustment that ultimately will be predominantly downward—but with well defined limitations. While the price boom is wearing itself out in more and more fields, the threat of drastic deflation is yet far removed. In many sectors, quality will go up rather than prices down. Still, the distortions that followed decontrol are on the way of being ironed out, not across the board but selectively. Ordinarily, such a readjustment is a rather slow process but there are factors at work that may speed it up.

One is that further price increases are meeting increasing resistance both at the retail and wholesale level. It is an experience usually symptomatic of the first stages of a broad trend reversal. Origin of such resistance, of course, always goes back to the consumer, and industry is quick to heed the note of caution sounded by such action. Nor is there any mystery why the consumer has suddenly become price conscious, after last year's terrific spending spree. First of all, consumers have spent more and saved less than in any year since the war; secondly, consumer income has failed to keep pace



with the rising cost of living. At the same time, industrial production has been expanding strongly. In itself, this is a combination that is bound to put pressure on prices; they must come down to "move" the industrial output. If they don't, we are obviously headed for declining production, for industry cannot go on producing goods which it cannot sell. Hence talk about an impending business recession.

One prospect of such a recession lies in the possibility that the necessary price adjustment will not be made. Undoubtedly, the consumers' ability and willingness to spend will be tested over the next few months. On this, as much as on the volume of production, will depend the depth and velocity of further price adjustments. And consumer spending, on the other hand, may well depend on whether they



## UPS AND DOWNS

### Recent Changes in Wholesale Prices

	During OPA	Peak Since Decontrol	Approximate Current Prices
Wheat (per bush.).....	\$2.12	\$2.25	\$2.05
Corn (bush.) .....	2.05	1.96	1.33
Butter (lb.) .....	0.61	1.00	0.62
Cotton (lb.) .....	0.387	0.384	0.306
Hides (lb.) .....	0.155	0.325	0.225
Silver (ounce) .....	0.901	0.901	0.707

think they get their money's worth. Recent slumps in the used car market and in the price of older houses are characteristic of this attitude, though the mounting rate of new car output and the prospect of an early easing of the building logjam has also something to do with the changed buyers' attitude. In a word, people are beginning to realize that in 1947, there will be fewer and less severe shortages and they are quick to act accordingly. The effect of such a mentality on the general price structure must not be underestimated.

Business inventories provide another danger signal; their steep rise in recent months is illustrated in the appended table. Inventory replacement has been an important part of our business boom, resulting in the channeling of about 8% of total production into inventories. It is one reason why the flow of finished goods to consumers during reconversion seemed low in relation to total production and incomes received. However, this rate of inventory accumulation cannot continue indefinitely; distribution pipe lines are being filled and the restocking phase is approaching its end. Unless inventory

demand is replaced by additional consumer demand, notably for durable goods for which demand is largely unsatisfied, a decline in overall production appears inevitable. In the line of current experience, it is more than probable that sufficient offsetting consumer demand can only be generated at lower prices, certainly not at rising prices. And lower prices, adjusted to the earning capacity of the majority of consumers and thus tending to encourage rather than restrict business, clearly presuppose an end to substantial wage boosts and a step-up of worker productivity.

This problem highlights the importance of labor relations, still one of the major uncertainties in the general outlook though the atmosphere of pessimism prevalent only a few weeks ago appears to have given way, of late, to a somewhat more hopeful outlook. There are a number of reasons why this is so. For one, the political climate has greatly changed and labor's bargaining power appears markedly weaker than a year ago. The recent steel industry truce, pending wage negotiations, has been a welcome straw in the wind, pointing to a more constructive labor attitude. Perhaps most importantly, however, worker productivity has been increasing. The upturn is neither rapid nor spectacular but it is nevertheless unmistakable. To the extent that it continues, the need for raising prices to compensate for future wage boosts or other cost increases will be lessened, thereby tending to correct the troublesome price-wage maladjustments that have so much to do with the ferment in the price structure now in evidence.

Labor's increased per-man output can be largely attributed to fewer bottlenecks, fewer materials shortages, and fewer interruptions of operations that had been conducive to dilatory and inefficient performance. The flow of products has been much smoother, of late, and much more constant. This will make quite a difference in operating costs, may in time even permit much-needed price reductions — without impairment of corporate profits.

Withal, there seems little doubt that deflation, not inflation, will be the bigger problem six months from now when the turning point may well have arrived. And let us hasten to add that there is nothing evil in deflation, though too rapid deflation could have profound unfavorable effects. At this writing, the chance of this, however, appears slim. For just as there are factors that will speed (Turn to page 582)

### Trend and Distribution of Inventory Accumulation and Relationship to Sales

1946	Total Inventories	—Manufacturers— Invent.	Sales	—Retailers— Invent.	Sales	—Wholesalers— Invent.	Sales
January .....	\$26.4	\$16.3	\$8.9	\$5.9	\$6.7	\$4.2	\$9.6
February .....	26.9	16.5	8.7	6.2	6.4	4.2	9.0
March .....	27.6	16.8	8.2	6.5	7.4	4.3	9.7
April .....	28.1	16.8	10.0	6.9	7.7	4.4	9.8
May .....	28.3	16.9	9.9	6.9	7.9	4.4	10.3
June .....	28.8	17.2	9.7	7.1	7.7	4.5	9.8
July .....	30.2	18.0	10.0	7.5	7.7	4.6	11.5
August .....	31.2	18.4	11.2	8.0	8.5	4.8	11.6
September .....	32.2	18.8	10.7	8.4	8.2	5.1	11.1
October .....	34.0	19.5	12.2	9.12	8.6	5.3	13.5
November .....	35.2	19.9	12.5	9.5	9.1	5.7	12.7

# A Study Of Regional Shifts...

By JOHN D. C. WELDON

AMERICA's leading companies are on the move—north, south, east and west—involving new factors of significance to every stockholder.

These regional shifts now taking place in industry have become so widespread as to appear almost a universal trend. These shifts are manifest in various forms; plant construction in new places, purchase of government war plants, absorption of other companies by merger, modernization and expansion of old plants, introduction of entirely new products, decentralization of production, establishment of vast research centers, and movement of plants and executive offices nearer to the companies' principal markets, labor supply, and raw material resources. They are often financed by large increases in capital through term loans, bond issues, and sale of additional stock. The present changes are perhaps the most sweeping, except for the swift but temporary conversion of industry during the war, since the historic era of consolidations back in the period 1898-1901.

Under such circumstances investors find it difficult to keep informed even on the elementary questions of where a company is located, and what it does for a living. Moreover, the pattern of wholesale shifts taking place currently comes as considerable of a surprise; it was hardly anticipated in the postwar planning" so freely indulged in during the war, which emphasized mainly the development of new or "dream" products—plastics, electronics, air conditioning, and the like—to replace war production after VJ-day and prevent a collapse of business.

Actually, the postwar demand has been to preponderant degree for the same types of products that comprised the major industries before the war, and the established industries have been literally swamped in meeting the accumulated needs for both consumers' goods and capital goods. Instead of an economy based upon a postwar national income that had been estimated at perhaps as high as \$125-140 billion, or "conservatively" estimated at \$100 billion, we find business geared to a national income running at \$165 billion and quite widely assumed to hold around that level—even granted a possible moderate dip, followed by a climb to even higher levels.

In studying the "why" and the "how" of Amer-

## In U. S. Industry

ican industry on the move, the causes and the means are found to be so varied that logical classification is next to impossible. A score or more of different motives, singly or in combination, are illustrated by the following enumeration of recent moves by well-known companies. Practically all of them, however, have in common the general objectives of (1) increased volume, (2) lowered costs, and (3) stability through diversification.

In interpreting the postwar shifts in industry, consideration must of course be given to the sweeping shifts during the war period in population, manufacturing employment and output, agricultural production, consumer income, bank deposits, and other factors. While it had been quite generally assumed at the time that a large part of the wartime migration of people and expansion of business—from the rural sections and small towns to the larger cities, and from the Eastern and Central sections of the country to the South and West—would be only temporary, there is now increasing evidence that a large part of this migration, will be permanent.

### REGIONAL SHIFTS IN U. S. CIVILIAN POPULATION During the War Period

Regions and Number of States	1945 (000s) Population	Per Cent 1940-45 Change
New England (6).....	8,276	- 2.0
Middle Atlantic (3).....	25,980	- 5.7
E. North Central (5).....	26,456	- 0.8
W. North Central (7).....	12,329	- 8.7
South Atlantic (8).....	19,143	+ 6.9
E. South Central (4).....	10,350	- 4.2
W. South Central (4).....	13,057	- 0.2
Mountain (8).....	4,267	+ 2.6
Pacific (3).....	12,118	+23.7
Total U. S.....	131,976	+ 0.02

The accompanying table on regional shifts in civilian population, based upon Bureau of Census

figures, shows that between 1940 and 1945 the greatest loss (8.7%) was in the West North Central States, with smaller losses in the Middle Atlantic, East South Central, New England, East North Central, and West South Central.

In contrast, there were gains in the Mountain States, the South Atlantic, and in the Pacific States the greatest gain (23.7%).

To a considerable extent the wartime gains merely accentuated the steady long-term prewar growth, and there is no doubt that the substantial wartime gains in population and prosperity are expected to be maintained in such States as Florida, California, Oregon, and Washington. The wartime rise in national income, based upon Department of Commerce figures using a slightly different regional classification, is given in the second table.

PER CAPITA INCOME PAYMENTS TO CIVILIANS IN 1945, AND CHANGE DURING THE WAR PERIOD

Regions and Number of States	Per Capita Income—1945	% Change 1940-45
New England (6).....	\$1,295	+ 79
Middle East (6).....	1,376	+ 83
Southeast (11).....	755	+137
Southwest (4).....	904	+128
Central (8).....	1,220	+102
Northwest (9).....	1,108	+145
Far West (4).....	1,483	+ 99
Total U. S.....	\$1,158	+102

In order to judge in proper perspective the sharp percentage gains in certain regions, it must be kept in mind that their actual size was in some cases small relative to the older and more highly industrialized sections of the country. For example, the eleven Mountain and Pacific States, comprising 40% of the land area of the United States, had in 1945 only 12% of the total civilian population, and in 1939 accounted for only 8% of the total value of manufactured products.

Among the numerous reasons for industrial decentralization, perhaps the most important is mere size, apart from other considerations. General Motors, Dupont, U. S. Steel, General Electric, and Standard Oil of N. J. are leading examples of organizations so vast that their operations must be divided among hundreds of different plants in order to avoid concentrating too many people in one place.

A related reason is to decentralize management, so as to divide the authority and responsibility. This is illustrated by giant industrials such as the above, and also by the large retailing organizations.

Better public relations come from such division of plants and management. The Kroger Company, for example, has a policy of making each manager of its 2,650 stores responsible for both buying and selling (subject to centralized supervision), and having them become members of the local chamber of commerce, get acquainted with the local newspaper editor, etc.

Another reason for more plants is to specialize on diverse products. Sylvania Electric Products, for example has separate plants for its incandescent lamps, electronic tubes, fluorescent lamps, fluorescent fixtures, and rare chemicals.

Diversity of products itself is sought to give more stability to earnings. General Mills' entrance into

the manufacturing of electrical household appliances illustrates what scores of other companies are now doing.

Some new plants will be used for the manufacture of entirely new products from the research laboratories. Remington-Rand, for example, acquired a government plant at Johnson City, N. Y., to produce new photographic and television equipment, as well as parts and assemblies to augment production at other plants.

Other companies have purchased government plants to expand their productive facilities in their own territory; for example, Inland Steel's acquisition of a blast furnace plant at East Chicago, Ind., with 50 acres and 22 buildings, at a cost of \$13,250,000.

Still others have purchased government plants in order to move into new territories, such as the U. S. Steel purchase of the Geneva Steel Works at Provo, Utah, with an annual capacity of 1,283,000 tons, and its still more recent purchase from shareholders of the Consolidated Steel Corp. of Los Angeles, fabricators and shipbuilders whose wartime contracts completed in 1944 reached \$379 million.

Sometimes an additional plant and organization are acquired together, such as the purchase by International Harvester of the Moore Equipment Company of Stockton, California, where its new mechanical sugar beet harvester and beet tillage tools will be manufactured.

Other companies have moved their executive offices nearer to their principal markets, such as United Rexall Drug which shifted from Boston to Los Angeles.

The Ford Motor Company is still continuing its long-term policy of establishing regional plants near to its principal markets throughout the country. It is now constructing a large building in Chester, Penna., for parts and service, as well as modernizing the Lincoln plant in Detroit.

Some companies have set up great new research laboratories, or moved their existing research departments to less crowded localities, as for example the Bell Telephone Laboratories, General Foods, and Johns-Manville, all now located in New Jersey.

Recently the General Precision Equipment Corp. shifted its research and engineering departments from New York City to a large residential estate near Pleasantville, N. Y., where the employees are reported as delighted at their offices in the former 46-room mansion, with 69 acres of beautifully landscaped grounds, swimming pool, lower living costs, and elimination of most of the time previously spent on railroad commuting and subways.

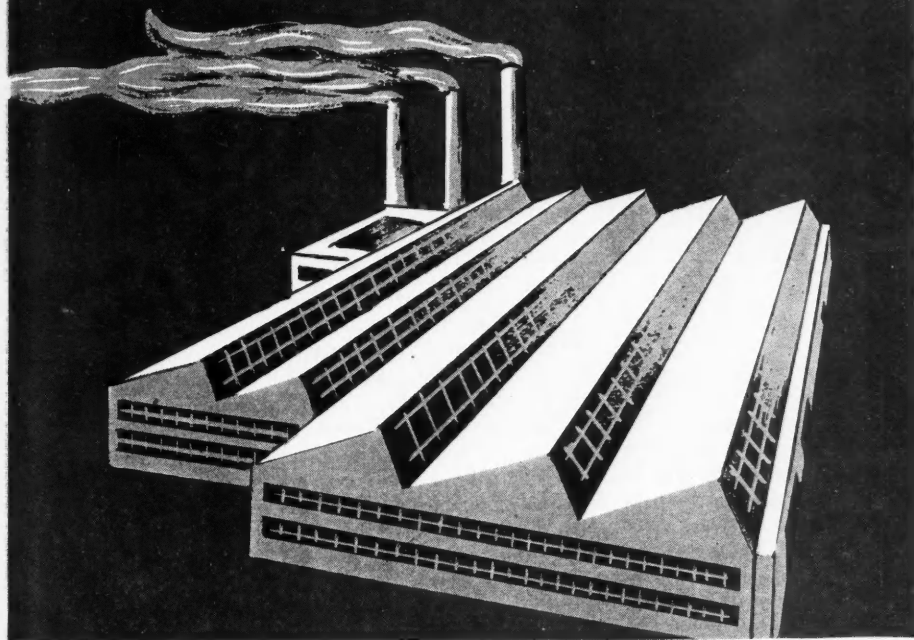
In other cases executive offices have been moved back to the general offices at the plants, in order to reduce expenses, obtain closer cooperation, and get away from the crowded living conditions in large cities.

Many plants have moved, particularly to the South and West, in order to get nearer to a supply of good and stable labor. While this can no longer be counted upon for "escape" from unionism, in view of the industry-wide agreements now commonly made, the labor in (*Please turn to page 584*)

# COMPANIES

## *Paying Progressively*

# HIGHER DIVIDENDS



By H. S. COFFIN

CONSERVATIVE INVESTORS relying heavily upon the income factor have since time immemorial stressed the earnings stability of their chosen favorites. Where distributions over a considerable period have been kept on a relatively even keel due to steady records of net earnings, this result was about all any shareholder desired. Where dividend checks received became increasingly larger, of course, satisfaction has been intensified. In past numbers of the Magazine of Wall Street, we have on numerous occasions cited examples of outstanding merit along one or the other of these lines, where unbroken dividend records have reached back for many decades, in many cases attended by a gradual uptrend in distributions. To go a step further by picking out concerns which for the past five years or more have displayed progressive generosity to their shareholders without interruption in a single period presents a study filled with more than ordinary interest.

At the outset in any such analysis, our readers are cautioned that the mere fact that the 17 concerns listed on the appended table have qualified as

eligible under the special restrictions we have mentioned, does not automatically elevate them into a super investment category, compared with a much longer list of stable dividend payers we could easily cite. The past five years have been decidedly abnormal ones, and as such have provided a most unreliable yardstick in weighing long term dependability in many instances. Many sound concerns with fine war records could be cited which might easily have paid larger dividends each year since 1942, or longer, had they been so minded. Just because they did not do so, preferring to conserve a more liberal portion of earnings to enhance reserves and to bolster working capital, rather than gladdening the hearts of their shareholders, was undoubtedly due to wholesome policies. Also, while not many

concerns listed upon the Big Board swelled the income of their shareholders in every year since Pearl Harbor, those tabulated by us do not comprise a complete roster. The list, however, is sufficiently comprehensive for the purpose of our discussion.

In scanning our selections it will be noted that, curiously enough, 15 out of the 17 concerns listed are representatives of entirely different industries or of their sub-divisions. Of still more significance, a similar proportion of the companies cited could in no sense be classed as "war babies", for the great majority were producers or distributors of consumer goods and services. Aside from Blaw-Knox, International Business Machines, and possibly Gillette Safety Razor, most of the concerns prospered in war years through ability to continue rather normal activities without a drastic change-over to meet military needs. And even in the case of the exceptions mentioned, a considerable amount of normal production was retained. In a broad manner it would therefore appear as if the dividend records established were made possible in part because of well sustained civilian business and because

### Market Action of Companies Paying Progressively Higher Dividends

	1942 Low	1946 High	% Advance	Current Price
Dow-Jones Ind. Avge. ....	92.92	212.50	129	179.74
Allied Stores .....	4	63½	1484	35½
Amer. Bank Note .....	5½	45¼	670	30½
Amer. Home Prod. ....	12¼	43½	254	31½
Blaw Knox .....	5	30½	518	18½
Borden .....	18½	57¼	212	43¼
Burlington Mills .....	3¼	29½	697	19½
Colg. Palmolive Peet .....	11½	60¼	428	48
Gillette .....	3	42¼	1325	30½
Int. Bus. Machines .....	109½	250	127	219
McKesson & Robbins .....	9¼	56½	479	38½
National Dairy .....	12¼	45¼	254	31½
Paramount .....	5½	42½	623	28½
Schenley .....	4½	100	2122	45½
South. Pacific .....	10	70	600	43¼
Tex. Pac. Coal & Oil .....	5	32½	553	23½
West Indies Sugar .....	7½	45	500	32¼
Zonite .....	1½	14¼	883	9½

sizable provisions for reconversion were less necessary than in many other forms of industry not represented upon the list. But granted this premise, it is interesting to see how relatively few concerns in any one segment of the economy saw fit to reward their shareholders with an increasing proportion of net earnings in every succeeding year during the war. Two of the big dairy leaders are shown upon our list, and a few in the drug field enjoy a degree of common activities, although dissimilar in many respects. Aside from these, an unusually wide assortment of industries emerges, with representation usually limited to a significantly isolated case.

#### Various Factors Affect Dividends

No general reason can be attributed a basis for explaining the dividend uptrend established by the concerns under discussion, other than the possible character of their business operations during hostilities. The matter of dividend distributions is always one in which varying policies by directorates play an important part. Then, too, available net earnings are influenced by not only growth in business but by other factors as well. Debt retirement, for example, or refunding of senior obligations at increasingly lower rates, quite naturally increases net profits irrespective of operating margins. And where net profits have been substantial for an extended period, stock split-ups or declaration of stock dividends are often followed by little or no increase in the rate per share, although the same thing is accomplished through dividend adjustments made on the enlarged number of shares outstanding. Hence only by study of the individual situations can causes rather than effects become clear, and even here analysis is not so simple as might be thought offhand; at least in some cases.

While lack of space precludes discussion of all the concerns under review, we can at least comment briefly upon some of the concerns in our table.

year upward trend. As working capital also increased steadily, and most of the company's output was "tailor made", it was quite logical that shareholders should receive liberal treatment.

Blaw-Knox Company is an outstanding example of a concern in the heavy goods industry which enjoys a long record of good earnings even in years when others of its class were less fortunate. Except in 1932, earnings have been kept in the black for decades past. During war years production consisted importantly of military equipment or of heavy machinery for makers of durables engaged in war work. Between tight Federal pricing policies and Excess Profits taxes, net earnings were somewhat disproportionate to volume gains, although showing substantial improvement from year to year. Since VJ Day both foreign and domestic orders have largely offset the loss of war orders, and earnings have shown sharp expansion. As no bonds or preferred stock are outstanding, and working capital is at peak levels, it has been rational to distribute a widening margin of earnings to shareholders.

In the case of Colgate-Palmolive-Peet, a long unbroken dividend record has resulted from rather stable operations conducted over a long term of years. Since depression years of the early 1930's volume has trended upward from a level of around \$62 million to \$135 million in 1945. Earnings expanded consistently in the 1942-45 period and despite shortages of oils and fats came to \$3.10 per share during the first six months of 1946 against \$3.34 for all of 1945. On two different occasions in fairly recent years this concern has replaced outstanding preferred issues with others carrying a lower rate, thus enhancing the outlook for common shareholders. With an efficient management at the helm, it seems entirely plausible that the directors should have expressed themselves more liberally from year to year.

No one familiar with the history of International

Starting with American Bank Note Company, the specialized character of this business for many years prior to the war proved advantageous in establishing a fair degree of stability over a long term, although during the 1938-39 period net earnings were negligible or even in the red. But in large measure this was due to heavy charge-offs on foreign exchange held. In 1940, dividends were omitted and 1941 only 20 cents per share was declared. Since then distributions have been progressively liberal, in line with consistent earnings gains, thus establishing a six

Business Machines Corporation could be surprised at its inclusion among concerns paying larger dividends yearly to its shareholders, for such a policy has been in effect for many long years past. Consistent growth, along with efficient skill in manufacturing and in controlling costs, has been responsible for the remarkable record of this strong concern. While the dividend rate itself has been stable at \$6 per share annually, repeated declaration of stock dividends plus an occasional split-up of the shares has been characteristic of its year to year policies. In other words, shareholders have benefited from earnings retained in the business and expressed by corresponding dilution in the number of shares outstanding, although the rate paid was steady. Through this process, early owners of the stock now enjoy a return alone upon their present holdings exceeding their original capital investment.

For six years in a row shareholders in Schenley Distillers have been rewarded with increasingly larger dividend checks. At the outbreak of war, when manufacture of whiskey was practically abandoned in favor of military alcohol, Schenley was fortunate in possessing immense stocks of whiskey being aged in bond. By blending a part of this supply with neutral spirits, the company was able to meet civilian demand profitably, while at the same time fulfilling its obligations to the Government. And since Federal restrictions and OPA regulations have been removed earnings have soared to astronomical heights, aided last year by elimination of EPT. On three different occasions in late years, Schenley has split its common shares and by holding the dividend rate at satisfactory levels has greatly improved the income status of its shareholders in successive periods. Question now looming up is whether under highly competitive conditions earnings will continue to remain so gratifying, but they could recede impressively without endangering the current rate of distributions.

In contrast to the majority of enterprises on our list exhibiting progressive generosity to their shareholders, and backed by an uptrend in net earnings, Southern Pacific Railway provides an interesting exception.

In raising the dividend rate steadily from \$1 per share in 1942 to \$4 per share in 1946, this carrier did so in the face of a consistent downtrend in net earnings. The wide margin of earnings over dividends in each year, however, made this possible, and quite evidently the experienced management has been optimistic in expecting a reversal of the earnings trend sooner or later, while at the same time eyeing its strong cash position with confidence. It is quite possible that when year end adjustments have been made for 1946, net results will show an improvement over the previous year or at least level off to warrant the prolonged liberality towards shareholders expressed during the passed five years. For one thing, the increased rates recently granted may enhance the company's earnings potentials during the coming year.

Since, as previously hinted, it is impractical to discuss the other situations included in our tabulation, we will conclude by touching upon another aspect which involves all of the companies as a group. Our readers may be asking what effect marketwise has resulted from the rather exceptional dividend records of these especially generous concerns. With this in mind we have appended a second table embracing (Please turn to page 584)

#### Companies Paying Progressively Higher Dividends for Five Years

		Dollars Per Common Share				
		1942	1943	1944	1945	1946
Allied Stores	Dividend	.45	.60	1.00	1.30	1.80
	Earnings	2.50	3.17	3.42	4.05	7.02Oc9
American Bank Note	Dividend	\$4.00	\$5.55	\$1.00	\$1.05	\$1.85
	Earnings	1.12	1.23	1.46	1.62	2.42Se9
American Home Products	Dividend	.80	.88½	.90	1.00	1.01½
	Earnings	1.65	1.72	1.74	1.76	1.82Se9
Blaw Knox	Dividend	.35	.60	.70	.80	.90
	Earnings	1.07	1.45	1.63	2.51	1.31Se9
Borden Co.	Dividend	1.40	1.50	1.70	1.80	2.25
	Earnings	1.91	2.17	2.35	2.85	4.50E
Burlington Mills	Dividend	.41¼	.47½	.52½	.62½	1.17½
	Earnings	1.19	1.00	1.05	1.32	3.47
Colgate Palmolive Peet	Dividend	1.25	1.50	1.75	2.00	4.25
	Earnings	2.47	3.10	3.30	3.34	3.10Je6
Gillette Safety Razor	Dividend	.45	.70	.80	1.20	2.50
	Earnings	.82	1.04	1.24	1.74	3.23Se9
Int'l Business Machines	Dividend	4.10	4.30	4.51	4.80	6.00
	Earnings	6.72	7.08	7.12	7.60	9.16Se9
McKesson & Robbins	Dividend	1.00	1.15	1.35	1.40	2.10
	Earnings	3.19	2.82	2.73	2.46	4.75
National Dairy	Dividend	.80	1.00	1.10	1.40	1.65
	Earnings	1.95	2.09	2.11	2.27	1.89Je6
Paramount Pictures	Dividend	.52½	.65	.90	1.00	1.65
	Earnings	2.10	1.92	1.96	2.05	4.51Se9
Schenley Distillers	Dividend	.35	.70	.87½	1.14	1.85
	Earnings	1.61	2.32	4.03	6.44	13.58
Southern Pacific	Dividend	1.00	2.00	2.50	3.25	4.00
	Earnings	21.29	15.48	9.74	8.78	6.10No11
Texas Pacific Coal & Oil	Dividend	.50	.60	.75	.85	1.00
	Earnings	.97	1.48	2.54	1.99	1.54Se9
West Indies Sugar	Dividend	.50	1.00	1.75	2.50	3.00
	Earnings	4.12	2.61	4.33	4.06	6.18
Zonite Products	Dividend	.15	.30	.35	.50	.60
	Earnings	.29	.60	.57	.82	.75Se9

E—Estimated. Je6—For 6 months ended June 30. Se9—For 9 months ended September 30. Oc9—For 9 months ended October 31. No11—For 11 months ended November 30.



# Happening In Washington

By E. K. T.

**ANTITRUST SUIT** holiday of wartime is over. From a huge backlog of potential "cases" the Department of Justice is preparing to proceed—in fact already is proceeding. And the Department is moving into "selected cases" which means tests of the legality of business and industrial practices by types, choices which may in a few years bring about

a new codification of the monopoly statute. In peacetime days, the government went into the courts on a current basis, a practice which developed a piecemeal body of antitrust judicial law. Now, with bulging files held back to avoid any interference with the war effort, it is possible to isolate practices which the official "trust busters" believe transgress the law and which business operators would be interested in having adjudicated.

## WASHINGTON SEES:

Congress is farther away than ever from a 20 per cent across-the-board income tax reduction and, as a matter of fact, never was very close to achievement of that goal.

Even the strategem of continuing excise taxes, which saves the loss of one billion dollars in revenue, cannot rescue the project. The Knutson project for uniform tax cutting didn't get into the bill the Minnesotan finally submitted and while only a relative handful of citizens are in the \$300,000-and-over income class which is scheduled to have only 10 per cent of its burden lifted, the downward graduation of the tax cut is a departure from the promise. And to those who were led to believe excises were going out it is scant relief that the purveyor of taxed goods and not the collector of income tax accepts the payment. It's still federal tax.

When the program loses the support of such men as Rep. Albert Engel whose one-man wartime economy investigations saved the country millions of dollars on construction programs, and when Speaker Martin expresses open skepticism that the "objective" (it used to be the "promise") can be attained, it is idle to appraise the Knutson bill optimistically.

Only one road is open to the congressional majority: very deep cuts into budgets. The military arms must take the deepest of these cuts. Agencies must be abolished or skeletonized. Elimination of the Bureau of Indian Affairs is but a token, a drop in the bucket. And hanging as an ominous cloud over the receipts picture are portal-to-pay suits in the billions with 100 per cent tax deduction promised to offset recoveries by the unions.

**TOM C. CLARK**, Attorney General, is convinced monopolies are on the march, thinks the last 10 years have provided a fertile breeding space for them, moved them forward in numerical and economic importance. Recent studies by the small business committees of congress, and by the executive agencies, notably the Smaller War Plants Corporation, indicate to him, he says, that concentration of control in American industry has reached the highest point since passage of the Sherman Act. The trend toward monopoly was accelerated during the war and his battle cry is: "Reversal of this trend is essential if we are to preserve the American system of free enterprise."

**NEW LEGISLATION** is not absolutely necessary, says the government's chief prosecutor. Operating within the framework of the existing statutes, Clark has, in the last six and one-half months of 1946 filed 33 antitrust cases. During all of 1944 and 1945, under the limitations of wartime laws, he filed only 46 cases. If the activity continues only at its present pace (and the certainty is that it will be speeded) antitrust actions will treble from this point forward. The Department has asked for \$600,000 in additional appropriations for next year for a drive on monopolies. The money will be forthcoming.

**SEVERAL FACTORS** are spurring the war on monopolies. The free hand for normal proceedings which peacetime has brought is, perhaps, the most important one. Another is the President's insistence that there be early action. Finally, protection of small business is an avowed goal in both houses.

# As We Go To Press

War Assets Administration's disclosure that its holdings of surplus industrial plants has been reduced through sales or lease to 800 in number and 6 billion dollars in value doesn't tell all. Actually, WAA is closer to closing its books on those items than the statistics suggest. Many of the holdings are shipyards, special purpose plants needed for war uses but not convertible. Some never will be sold in present form.

In its one year of existence, WAA has disposed of about one-half the industrial facilities turned over to it. Included, naturally, were the most desirable, easily convertible factories. And many of the largest ones. Yet, sale of about 50 per cent of the total number of surplus plants brought in only 2.5 billion dollars.

Which appears to cast some doubt upon the accuracy of a 6 billion dollar estimate for those which remain.

Projected public works, planned by states and cities, don't add up to a total which would cushion a serious unemployment situation and the federal government is beginning to draft programs to lessen the gap. Federal Works Agency finds national income of 150 billions necessary to support full employment; that 3.3 per cent of it should be public works. Not nearly that amount is on the drafting boards today.

Interesting as a possible forecast of what is ahead for the many war-born agencies of the federal government, is the fact that the United States Housing Corporation of World War I has just been dissolved — almost 30 years after it came into existence. It wasn't a big outfit as modern public corporations go; it had capital of 75 million dollars to begin with. Despite its wartime operation and lengthy process of liquidation it ended with about one-half original capital saved.

Congress is booting its own reorganization plan out the window. Not the part that increased members salaries and patronage payrolls, and their pension setup, but the part that placed functions under fewer headings by limiting the number of committees and providing for no special committees. The Senate has gone blithely ahead to create special committees for war investigation and for small business protection.

Also, sub-committees are being appointed to carry on the work of former special groups. One will look into food shortage. That's always politically good; the original one lifted Clinton P. Anderson from the house to the President's cabinet. There will be many others.

Fight will be waged in Congress to knock out export and import controls next month as most of the remaining wartime checks on business move toward their March 31 expiration date. Likelihood is a compromise. The State and Commerce Departments want the controls continued but are headed for defeat except on a limited number of items still in very short supply.

Inability of the World Bank to pick up speed, plus a growing shortage of dollars in foreign hands, soon will become increasingly noticeable in food export operations. Curtailed army appropriations are ahead and will force a showdown on food for occupation zones, particularly in Germany. The British will be asked to pay their share for the united zones.

Office of Temporary Controls recognizes now that the drive for abolition of rent ceilings was more than a campaign argument. Unyielding up to now, OTC is about

to suggest new formula for testing applications for higher rents. The Hawkes Bill to eliminate the controls is drawing some support but hasn't a chance of passage at this stage. Wise handling of "hardship cases" can save the ceiling program.

Best bet for passage as of now is a sliding scale of increases, beginning with five per cent, adding another five per cent automatically in six or eight months. After that would come repeal of the regulation in toto.

Having spent its first month in the processes of organizing and airing intra-party quarrels, the 80th Congress now has about six months within which to work on the hundreds of bills already introduced and to calendar an even greater number that are certain to come along. The Reorganization Act fixes Aug. 1 as adjournment date. Speaker Martin is aiming at a July 1 quitting time.

This doesn't sound like monopoly: Commerce Department reports there are 810,000 more business firms in the United States than at the low point of December 1943. This represents not only recovery of a number of firms equivalent to war casualties, but also 250,000 more firms than were in business at the time Pearl Harbor was attacked.

Without public notice, this country's experiment in the production and use of guayule for synthetic rubber has ended. Its obituary is written in the annual report of the Forestry Service to Congress submitted Feb. 1. Death actually came more than one year ago — in December 1945, when funds were withdrawn from the project. Liquidation was completed Dec. 31, 1946.

Four plants had been constructed to mill out the rubber in the guayule plants which had been growing since 1942. One was used on an experimental basis; the other three never came into their intended use and have been disposed of as surplus war property. If the country ever again loses its sources of crude rubber nothing will be available for a new start but statistical reports and the de-emphasized research which the Army-Navy Munitions Board will carry on.

Look for the house labor committee to do the real job on setting up a new code of labor management relations despite the fact that the floodlights of publicity have been playing on the Senate side of the capitol, especially on Senators Ball, Taft and Smith, co-authors of a series of measures touching most controversial points.

Principal reason for this is found in the fact that the GOP members on the house labor committee are inclined to cooperate more with their chairman — Rep. Fred A. Hartley of New Jersey — than are the Republicans on the Senate side. Senator Taft has the disadvantage of being a Presidential aspirant and therefore a target; against Taft, Ball and Smith will be arrayed the liberal Senators Aiken, Morse, and Ives.

Additionally, Chairman Hartley already has announced he will not be a candidate for re-election in 1948. He doesn't have to satisfy any pressure group at the risk of losing votes. And he doesn't have to make trades with other committees and individuals (cracking down or softening up), because he dominates his committee.

Reflecting changed conditions since the first month of the Congress which preceded the present one, is the fact that the first month of the 80th session brought out 70 bills pertaining to labor questions while the corresponding month of the 79th session developed only 59. Likewise significant is the circumstance that the total of bills on other subjects — including war veterans — decreased in number.

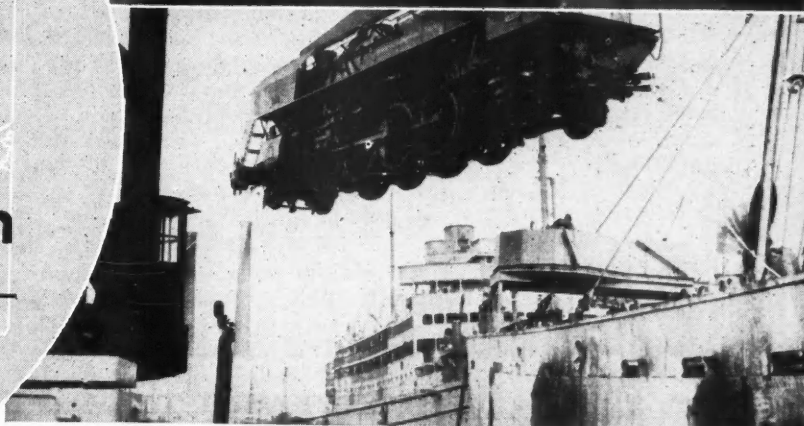
In spite of President Truman's emphasis upon the need for a national public health program, likelihood of its adoption is less now than it was a year ago. The idea always found less favor on the Republican side than it did with the Democrats. Further tapping of payrolls, deductions and checkoffs are not approved by the GOP party leadership.

# Interim Report ON STATUS OF... European Re-construction

By V. L. HOROTH



RENAULT WORKS (FRANCE)



Reconstruction and revival of industrial production in Europe vary greatly from country to country. The need for American finances and machinery is still pressing.

AS IN GREAT BRITAIN, postwar reconstruction in Western Europe has run into a number of snags which, according to reports received during past three or four months, have slowed it down in most of the countries and have actually stalled it at least in one, Italy. The consequences of the bogging down of recovery at this point are not fully appreciated in this country. A serious deterioration in economic conditions in Western Europe could benefit but one country: the Soviet Union. As the Colmer Committee pointedly expressed it in its last report on European reconstruction, a setback in the rehabilitation of Western Europe would be sure to result in moving "the economic line as well as the political frontier now stretching from Stettin to Trieste" still farther west.

It is no mere coincidence that a number of plans aiming at the bolstering up of European reconstruction have been advanced in the past few months. The most ambitious of them, Mr. Churchill's plan for an all-European political and economic federation, has, despite its good points, little chance of being put into effect. Mr. Churchill's plan would embrace the countries now within the Russian sphere of influence, and Moscow already voiced a strong disapproval. A less ambitious but a more practical plan advanced by Mr. John Foster Dulles for an economic and political federation of Western European countries only—with the financial backing of the United States—has created a stir on the Continent, even among the German socialists. The

third plan calls for economic cooperation between France and Great Britain in the interest of speedy rehabilitation. Each country would concentrate on what it can produce most economically; for example, most of wheat would be grown in France, while the machinery requirements of the two countries would be supplied largely by Great Britain.

Still another chance to bolster up the economic reconstruction of Western Europe and to checkmate the advance of communism is likely to present itself at the coming Moscow conference of foreign ministers. During the past year the realization has grown stronger that the restoration of normal economic life in Western Europe is impossible without the full utilization of German industrial and manpower resources. A resuscitation of Germany's huge trade with its neighbors is imperative if Western Europe is again to become prosperous. The chances that an agreement on a peace treaty with Germany will be worked out in Moscow are rather slim. However, a reassertation of positive leadership may force the Russians to agree to the economic unification of Germany and to the opening of Germany's borders to unrestrained trade with the neighboring countries.

What is the status of reconstruction in Europe and why is slowing down in countries like Belgium or France where the level of industrial production has just about recovered to the pre-war rate? Why is the rapid progress in the Netherlands' recovery during most of 1946 likely to slow down from now

on? Why is the situation in Germany likely to react unfavorably on Sweden, Switzerland and other Continental countries?

The slowing down in the progress of rehabilitation comes at a time when the first phase of the post-war reconstruction, the distribution of relief, the transfer of population, the reform of currency and the restoration of transportation and communication facilities, is about finished in Western Europe but still very much in the fore in Central and Eastern Europe.

Most of Europe's railway lines and important highways are back in use, but the shortage of railway rolling stock and motor trucks continues to be acute almost everywhere. The farther East one goes, the worse the situation becomes. As late as last Fall, transportation in Italy and the Balkan countries was so bad that it interfered with the distribution of locally produced foodstuffs and was responsible for the appalling price differences. While such a commodity as olive oil was going bad in southern Italy, the industrial areas in the North had to do without it.

With few exceptions, the major population transfers have been carried out. About 200,000 Slovaks in Hungary are still waiting to be exchanged for an equal number of Hungarians in Czechoslovakia, while up to 50,000 Italians are

likely to be transferred from the areas in which Yugoslavia is about to take jurisdiction.

The great loss of life on the Continent, due to either warfare or hunger, and the postwar resettlement of some 25 to 30 million people has created a rather unique situation. For the first time in their modern history, countries like Poland and Czechoslovakia—large exporters of labor before the war—are faced with an acute labor shortage and are seeking the return of their nationals to man their farms and factories. With the exception of Germany, Italy, Hungary and Greece, which still have labor surpluses, all European countries are short of manpower. In Norway and the Netherlands, the rebuilding of public utilities and housing is being held back because of lack of workers. In Belgium, the steel mills and coal mines are vainly asking for more help. The situation is perhaps most critical in France which is short about 2,000,000 workers. Some relief may eventually come through hiring unemployed Germans, Italians, and Greeks. The French Government has been trying to persuade the German prisoners, now largely employed in coal mines, to make their home in France. The Italian Government is said to have reached an agreement with France, Belgium, Britain, and Czechoslovakia regarding the employment of about 200,000 Italians. Poland, Switzerland and

Sweden are likewise seeking Italian labor.

The situation created by the shortage of labor has been made worse by the generally low productivity of the Continental workers. Estimates have been made showing that the efficiency of German and French coal miners is down at least 40 per cent from the pre-war levels. The causes are easy to understand: lack of proper food, and physical exhaustion after strenuous work in war years. But there has also been a good deal of loafing, the cause of which is attributed in the dissatisfaction with the low purchasing power of wages. In Czechoslovakia, Poland, and some of the Danubian countries, the low productivity of some of the workers can be traced to population transfers. The highly skilled German labor

**The Trend of Continental Foreign Trade**  
(In millions of dollars)

WESTERN EUROPE		1939				1945				1946			
		Quar. Ave.	2nd Q.	3rd Q.	4th Q.	1st Q.	2nd Q.	3rd Q.	4th Q.	1st Q.	2nd Q.	3rd Q.	4th Q.
Belgium	Imp.	164	53	100	150	192	252	314					
	Exp.	182	10	25	52	99	141	185					
Denmark	Bal.	+ 18	- 43	- 75	- 98	- 93	-111	-129					
	Imp.	89	17	37	60	98	118	182					210(e)
France	Exp.	81	34	50	66	59	69	92					125(e)
	Bal.	- 8	+ 17	+ 13	+ 6	- 39	- 49	- 90					- 85
Italy	Imp.	275	131	268	669	311	581	521					538(e)
	Exp.	198	37	71	108	87	196	219					336(e)
Netherlands	Bal.	- 77	- 94	-197	-561	-224	-385	-302					-202
	Imp.	(a)				68	98	124					
Norway	Exp.					28	57	82					
	Bal.					- 40	- 41	- 42					
Portugal	Imp.	79	39	109	77	61	89	111					
	Exp.	46	13	10	22	43	65	66					
Sweden	Bal.	- 33	- 26	- 99	- 55	- 18	- 24	- 45					
	Imp.	202						232					340
Switzerland	Exp.	130		9	22	33	45	81					140
	Bal.	- 72						-151					-200
Finland	Imp.	21	40	45	49	34	56	73					
	Exp.	13	32	33	40	33	43	45					
Czechoslovakia	Bal.	- 8	- 8	- 12	- 9	- 1	- 13	- 28					
	Imp.	150	33	58	114	151	202	246					264(e)
Poland	Exp.	113	44	172	176	123	152	184					195(e)
	Bal.	- 37	+ 11	+114	+ 62	- 28	- 50	- 62					- 69
Yugoslavia	Imp.	111	43	70	149	187	194	189					222
	Exp.	76	92	95	111	123	146	169					175
Greece	Bal.	- 35	+ 49	+ 25	- 38	- 64	- 48	- 20					- 47
	Imp.												
	Exp.												
	Bal.												
EASTERN EUROPE													
Czechoslovakia	Imp.	72		1	11	23	41	50					94(e)
	Exp.	88		1	9	29	51	90					118(e)
Finland	Bal.	+ 16			- 2	+ 4	+ 10	+ 40					+ 24
	Imp.	55	9	12	26	26	44	60					52(e)
Poland	Exp.	56	12	31	40	36	51	68					81(e)
	Bal.	+ 1	+ 3	+ 19	+ 14	+ 10	+ 7	+ 8					+ 29

(e) Partly estimated. (a) Imports include UNRRA shipments. (b) Exports include reparation shipments.

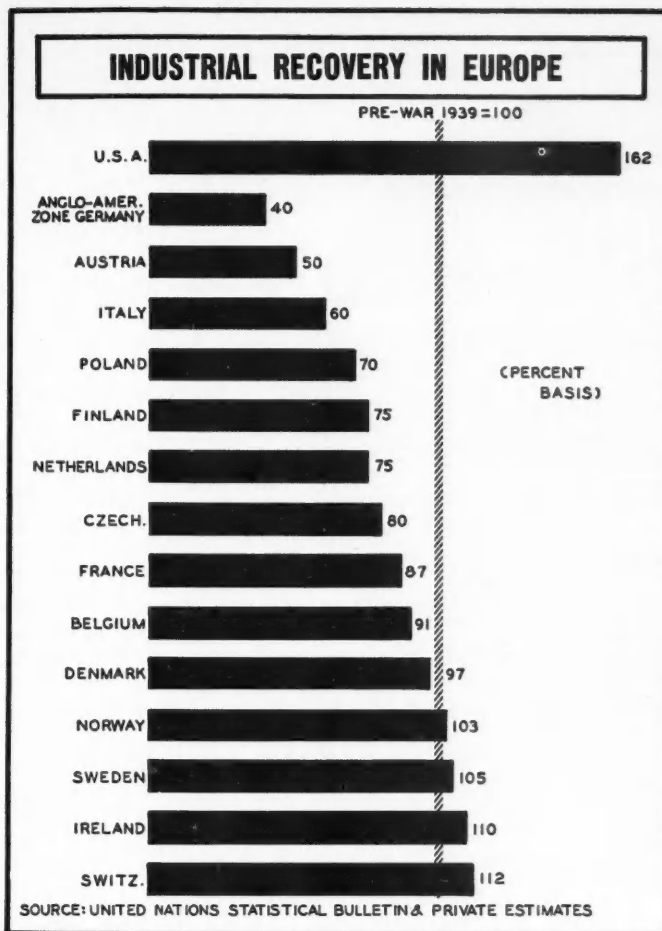
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in the steel and chemical works of Upper Silesia and in the glass and "no-tions" factories in Bohemia has been replaced by untrained workers from Eastern Poland and Slovakia respectively. Some of the highly specialized factories in Poland and Czechoslovakia may remain closed permanently.

*Coal shortage* has become almost as important a factor in retarding the recovery on the Continent as the labor shortage and the low productivity. The overall output of coal on the Continent in 1946 was down to less than 300 million tons from the average pre-war level of about 450 million, largely as a result of the drop in the production in the Rhineland which alone used to contribute almost 100 million tons. But the drop in the production of coal does not tell the entire story. Before the war, the deficit in the Continent's coal requirements used to be made up by imports from Great Britain and Russia. At present, Great Britain has little coal to export, and Russia, instead of supplying coal, absorbs a greater part of Poland's exportable surplus.

Europe has therefore become dependent upon American coal to an unprecedented degree. Then, when American coal is not forthcoming, as during the strike last Fall, industrial output goes into a tailspin, as happened in Italy and to a lesser degree in France. But dependence upon the relatively high-priced American coal has had another result. It has raised the cost of reconstruction and helped to drain away dollar balances in the countries like France and the Netherlands, the balances of which have been reserved for the purchase of machinery for the modernization of local industries. It is said that even such relatively wealthy countries as Sweden are hesitating to spend their dollars for coal and are looking for other sources of supply.

The re-integration of Germany into the economic life of the Continent should be primarily helpful in mitigating the problem of the shortage of labor and coal. Once the coal miners are properly housed and fed, and once the worn-out, unsafe mine equip-



ment is replaced, the output of such areas as the Ruhr can be easily trebled from the present low levels.

The shortage of labor and coal has influenced to a great extent the level of industrial production. As will be seen from the accompanying diagram, the volume of industrial output varies greatly. Where the industrial plant was undamaged, as in Sweden and Switzerland, or where it suffered only lightly, as in Norway, the output has already been brought up above the pre-war level. France, Belgium, Denmark, and Czechoslovakia are close to it. In Finland, industrial activity has expanded rapidly in the past few months. Near the bottom of the scale are Poland, Italy, and the

Anglo-American German zone, and probably still lower are Hungary and Yugoslavia for which no data are available. Considering the Continent of Europe as a whole, industries are probably running at present at around 70 per cent of pre-war production.

A few figures need interpretation. In Poland, the present level of production was reached despite a drop in population from some 35 million to 24 million. The Poles claim that on the per capita basis they are turning out more industrial products than before the war. The Czechs, who live in a state, the population of which dropped from 15 to 12 million, advance a similar claim.

The foreign trade figures of Continental countries, presented by quarters in the accompanying table, have shown an almost continuous growth during every quarter since the end of the war. Imports recovered first, particularly in the case of those countries which obtained foreign credits or had large gold and foreign exchange reserves. A sharp expansion in exports followed largely during the past few months. In November, 1946, the Continent was in a position to ship us about \$60 million of goods. This was nearly the pre-war rate, but, of course present prices are nearly twice 1939 prices.

Probably the largest spurt in exports during the past six months has (Please turn to page 575)



# SIGNIFICANT CORPORATE STATEMENTS

—CLUES REVEALED FOR 1947

By J. C. CLIFFORD

**I**N THE PREVIOUS ISSUE of the Magazine of Wall Street we discussed a number of annual reports which had been unusually prompt in making their appearance. As the weeks pass by, an increasing stream of these interesting documents will eventually form a basis for well rounded appraisals of industrial progress during one of the most dramatic years in the Nation's history. The advent of VJ Day was an "on the mark" signal to every contender in the great competitive race characteristic of free enterprise. But while some fortunate concerns got off to a flying start at the word "go", thousands of others had to struggle through most of 1946 in their attempts to "get set".

In view of the more hopeful prospect that during the coming year the scramble for the consumer's dollars will proceed upon a smoother path, with many of the laggards now in a position to press hard upon the heels of some leaders, it becomes instructive to study the individual reports of as many concerns as possible. Numerous managements are to be congratulated on the comprehensive steps they have taken to clarify just how they handled their opportunities and problems last year, although not so much can be said for others. Better yet, a few forward looking reports go a step further by frankly appraising the outlook for 1947, a subject transcendent with all shareholders. From the growing

roster of annual statements received thus far we have chosen a limited number for discussion which struck us as disclosing above average interest.

West Virginia Pulp and Paper Company had an unusually successful year in 1946, because of freedom from most of the handicaps which hamstrung many other forms of enterprise. Both production and sales soared to all time peaks in the various divisions of the company. Even under price controls, volume reached a total of more than \$67 million, a 13.6% increase over 1945. In view of favorable conditions, including large supplies of raw materials received from independent sources, the company's mills throughout the entire year were able to operate 24 hours a day and 7 days per week. Even so, customers demand was so insistent that deliveries had to be allocated in many instances. As might be expected, this combination of exceptional operating advantages resulted in net earnings heartening to stockholders. Net per share climbed to \$4.93 compared with \$1.63 in 1945 and an average of \$1.83 in the two previous years. On invested capital the 1946 percentage earned came to 8.60%. Combined cash and Government securities at the year end exceeded

current liabilities by better than four to one, while this ratio would be doubled if receivables and inventories were to be considered. As for the 1947 outlook, the management is optimistic due to its long established trade position and the still unsatisfied demand for the paper, pulp and chemicals which feature its output. Modernization and expansion plans made possible by reserves set up since war began have been consistently implemented since early last year, and by October 1947 about \$19 million will have been accumulated for the purpose from the start.

Annual report of Carrier Corporation for the fiscal year ended October 31, 1946 reveals a net profit of \$209,439, but only after allowance for \$1,798,000 in carry-back tax credits refundable under the Internal Revenue law. The management assigns two major reasons for the poor showing achieved. In the first place, two alternatives presented themselves on operating policies during the fiscal year; with a large backlog of orders at the start, it might have been possible to forge ahead at full speed to make satisfactory profits; or, as was the course chosen, the company could implement plans for expansion and modernization at the temporary expense of net earnings. But as it turned out, shortages of steel, motors and copper products seriously hampered progress even on the restricted

basis planned. More definitely, of some \$40 million orders booked during fiscal year 1946, it proved possible to complete only \$23.4 million, or \$5.4 million less than in the preceding year. During the period under review, however, the company made substantial headway in setting its house in order, including purchase of a Government-owned plant in Syracuse for \$4 million, rearranging its own facilities and schedules, setting up new machines, as well as preparing to enter the field of 15 and 30 cubic feet freezers. Unfilled orders at the start of the 1947 fiscal year were reported as more than double those of a year previous, and barring the unforeseen, the company expects to get really into its stride at last. Production during the first quarter of fiscal year 1947 was at a record rate for any peacetime period. Through sale of 120,000 shares of 4% convertible preferred during its last year, working capital was raised to peak heights of more than \$10 million after expenditures of \$2.75 million for fixed assets. Payments for the new factory acquired will be serial in character. Optimistic predictions of rapid expansion in demand for air-conditioning units for industrial and home use, plus increased use of refrigeration in many forms, bolster hopes of shareholders in this important concern, despite its drab record of earnings in prewar. Competition is acute in this field but the company may have a good chance to show its pace in the current year.

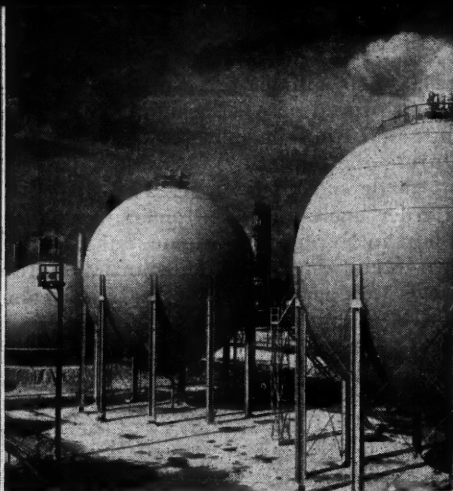
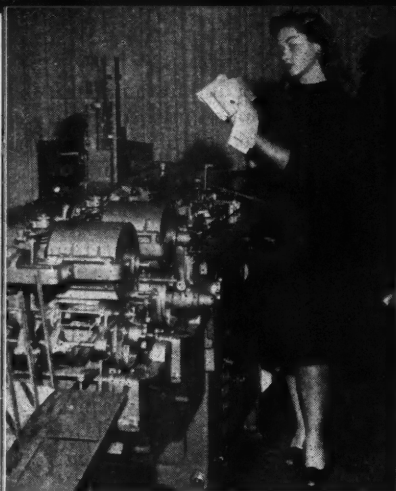
Reversion to peacetime activities had little effect upon the 1946 volume of Hercules Powder Company. Indeed, net sales of \$100.7 million were slightly above the previous year, thus reflecting a slight uptrend for the first time since 1943. More importantly, profit margins were widened on an in-

creasing scale throughout the year, due to tax relief, the lifting of OPA price restrictions and because a larger proportion of sales consisted of plastics and other widely diversified items more profitable to produce. 17% of sales were shipped abroad to foreign customers, a smaller than usual proportion of total volume, but proving the company's ability to retain a substantial share of its prewar markets. Net income for 1946 came to about \$8.4 million against \$4.9 million in 1945 on practically the same amount of sales. On outstanding common shares after a 2 for 1 split last March, net per share amounted to \$3.03. Figured as a percentage earned on capital and surplus, the showing established a record for twenty years past at 17.3%. Although dividends last year were up 25 cents per share compared with distributions for the previous four years, and equalled a total of \$1.50 per share, the management points out that expenditures of \$14.3 million for additional facilities in 1946 cut into cash resources somewhat, so that distributions will be continued on a conservative basis. As last year's split-up was the fourth in the long successful career of this concern, the original stockholders now own 32 shares for each single share at the start, and on a basis of dividends on the latter, an equivalent of \$48 per share is now being received. As for working capital, this item stands at about \$30 million, with cash and Government securities more than total current liabilities. For reasons explained above this reflects a dip of about \$3.4 million compared with 1945 but carries little significance. Under normal conditions Hercules should expect favorable operations during 1947, especially during the first half. The only immediate cloud on the (Please turn to page 576)

*Comparison of Significant Items in Cross Section of Industrial Statements*

	Sales		Excess Profit Tax		Net Income		Working Capital		Inventories	
	1946	1945	1946	1945	1946	1945	1946	1945	1946	1945
Beech Aircraft .....	\$24.4	\$123.7	Nil	\$9.4	\$0.2	\$3.7	\$9.0	\$10.4	\$11.6	\$13.8
Carrier Corp. ....	23.4	29.1	Nil	Nil	.2	.4	10.5	7.4	10.7	6.3
Celotex Corp. ....	33.1	22.1	1.0	.2	3.8	.6	8.5	10.2	3.5	2.3
Deere & Co. ....	144.0	137.7	8.2*	7.9*	9.5	8.6	144.5	150.8	53.0	42.7
Endicott Johnson .....	105.9	102.1	.6	4.8	2.4	2.3	39.6	35.0	22.9	21.3
Hercules Powder .....	100.7	100.5	Nil	7.1	8.4	4.9	29.7	34.8	16.3	16.0
International Harvester .....	482.3	622.0	8.3*	12.5*	22.3	24.5	270.0	317.8	155.6	139.4
Johns Manville .....	92.0	86.0	1.6	3.4	5.8	5.1	24.6	25.8	14.7	11.3
Kress & Co., S. H. ....	150.9	126.0	Nil	9.2	12.8	5.0	30.3	27.0	24.3	15.4
Lakey Foundry & Machine .....	8.8	13.6	Nil	.9	.2	.3	1.6	1.2	.5	.7
Liggett & Meyers Tobacco .....	464.5	399.2	21.3*	9.5*	18.4	15.0	286.2	208.9	297.5	253.2
Mathieson Alkali .....	20.5	19.6	1.2*	1.1*	2.0	1.1	7.7	10.3	2.5	2.4
Purity Bakeries .....	59.1	56.66	Nil	1.0	3.5	2.0	7.6	7.4	3.4	2.4
R. J. Reynolds Tobacco .....	613.1	431.0	21.3*	Nil	28.0	20.0	263.3	200.0	334.7	265.0
Sutherland Paper .....	19.8	14.9	Nil	.5	1.6	.6	5.0	4.7	2.7	2.3
Universal Pictures .....	30.8	28.7	.4	3.9	4.6	3.9	29.3	23.0	21.5	19.0
West Virginia Pulp & Paper .....	67.2	59.1	3.8*	3.3*	15.8	11.7	19.8	15.4	9.3	6.9
Wilson & Co. ....	440.6	468.6	1.9	3.4	8.3	5.0	50.0	42.0	43.4	36.1

\* Combine income and excess profits tax.



# 1947 Special Re-appraisals of Values, Earnings and Dividend Forecast

**W**ITH THE ADVENT of 1947, industry started a second peace year with potentials bright for some segments but discolored by uncertainties for others. While all economic factors point to a year of highly sustained activity, with purchasing power continuing at peak levels, many new problems are arising to challenge both producers and distributors. Operating costs all along the line have risen to heights which may spell trouble for this or that concern when competition at long last proves the main determinant of prices. Before real stability throughout the economy can be achieved, a period marked by serious readjustments still remains to be faced, a major test for practically all concerns in the competitive arena.

Intelligent investors desirous of satisfactory income or of soundly based hopes for appreciation are now scrutinizing their portfolios as seldom before. Only by recourse to reliable facts and trained judgment can decisions be reached to form and implement a sensible investment program, for some shares which proved leaders last year may prove to be the laggards of 1947 and vice versa.

In order to assist our subscribers in formulating investment decisions, the **MAGAZINE OF WALL**

**Prospects and Ratings for  
Steels - Oils - Machinery  
Office, Agricultural and  
Electrical Equipments.**

## Part II

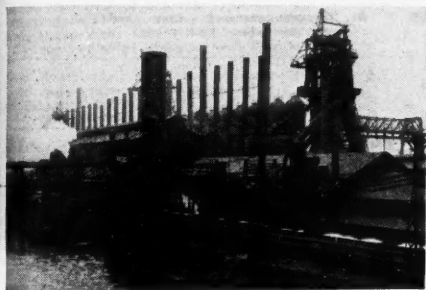
by statistical data for ready comparisons. Additionally, brief comments on the status of each company listed on the table are presented.

The key to our ratings of investment quality and current earnings trend of the individual stocks—the last column in the tables, preceding comment—is as follows: A+, Top Quality; A, High Grade; B, Good; C+, Fair; C, Marginal. The accompanying numerals indicate current earnings trends thus; 1—Upward; 2—Steady; 3—Downward. For example, A1 denotes a stock of highgrade investment quality with an upwards earnings trend.

Stocks marked with a W in the tabulations are recommended for income return. Issues regarded as having above average appreciation potentials are denoted by the letter X. *Purchases for appreciation should of course be timed with the trend and investment advice presented in the A. T. Miller market analysis in every issue of this publication.*



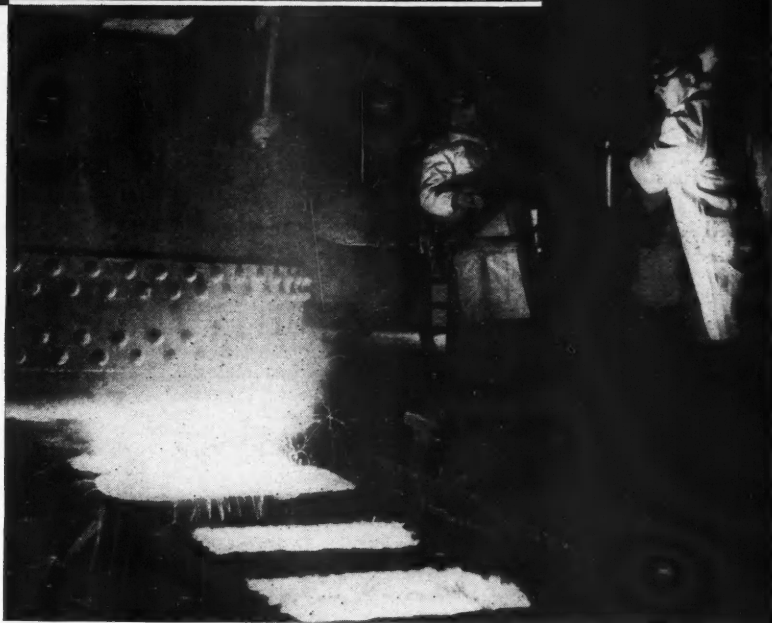
# Profits Vs. Wages in STEEL Shares



By H. F. TRAVIS

A RARE COMBINATION of seemingly insatiable consumer demand, rising worker productivity and abnormally wide profit margins points the way toward at least another nine to twelve months of "feast" for steel makers. In all probability, the inevitable "famine"—with which this highly cyclical industry is always associated—lurks in the more distant future, but before hard times develop again representative producers seem assured of an opportunity to strengthen internal finances and reward patient stockholders. Typical steel shares may command higher prices if the market displays a willingness to capitalize prospective brilliant earnings results on a reasonable basis.

Among outstanding developments of recent months contributing to the promising outlook for this industry are: (1) The serious shortage of al-

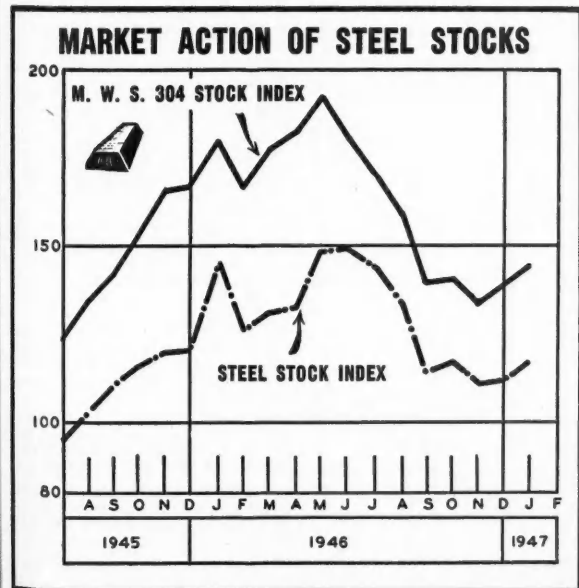


Intensive production will be essential in 1947 to fill the shortages of steel needed for civilian products.

most all kinds of steel available for civilian uses; (2) establishment of unprecedented profit margins made possible by decontrol, high rate of operations and greater mechanization of production; (3) apparent labor stability contributing to increased efficiency in operation and (4) concentration on smaller market areas that afford savings in freight charges. Producers of stainless products, highspeed tool steels and similar lines have enjoyed special advantages in being able to divert available materials to these wider profit lines. Marginal companies have felt the beneficial effect of exceptional demand for merchant pig iron and semi-finished products.

Of the factors contributing to current prosperity, probably the most influential is the indication of more amicable labor relationships. Strikes in steel mills and in soft coal mines imposed devastating handicaps on 1946 operations, but in spite of such difficulties representative producers experienced reasonably good earnings as a result of expansion of production to capacity when labor troubles were absent. Price relief late in the year and relief from burdensome Federal taxes were other favorable factors.

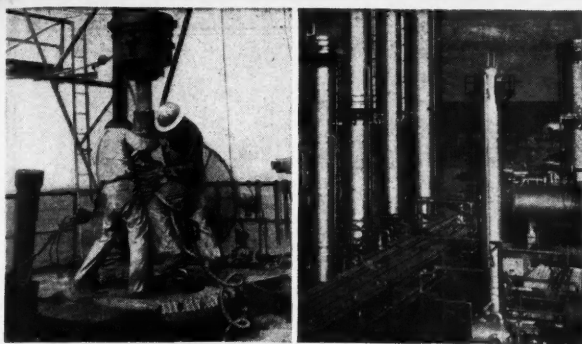
Hope for labor peace is based on the truce between the CIO union leadership and managements of steel companies that is scheduled to continue through April. This agreement provides an important breathing spell to work out long-range policies and settle upon reasonable terms for contract renewals. While negotiations are proceeding, living costs are declining and the union's bargaining position is weakening. Such (Please turn to page 577)



# Pertinent Statistics on Steel Stocks

	Net Per Share			Dividend Paid		Recent Price	Price-Earnings Ratio*	Dividend Yield	Investment Rating	COMMENT
	1941-44 Average	1945	1946	1945	1946					
Acme Steel (W).....	\$2.24	\$2.00	\$2.975e9	\$1.35	\$3.30	\$47	23.5	7.0%	B1	Enlarged supply of raw materials and good demand from automobile industry favorable. Liberal dividend indicated.
Allegheny Ludlum Steel (X)...	3.16	2.68	3.54Se9	2.00	2.00	45	16.8	4.4	B1	Stronger demand for stainless products and wider profit margins expected to lift 1947 earnings. Higher dividend possible later in year.
American Rolling Mill (X)....	1.92	2.58(e)	3.54Se9	.80	1.25	36	13.9	3.5	B1	Leading factor in light steels and stainless appears headed for banner years with another increase in dividend a reasonable possibility.
Bethlehem Steel (X).....	8.54	9.52	11.79	6.00	6.00	94	7.9	6.4	B1	Continued high rate of operations expected to boost earnings above favorable 1946 level. Liberal dividend indicated.
Byers, A. M.....	3.26	2.51	def.87	.25	Nil	18	....	....	C+3	Better supply of raw materials and more satisfactory labor conditions expected to aid earnings. Restricted finances bar dividends.
Carpenter Steel (W).....	4.37	3.08	4.53	2.25	2.50	47	10.3	5.3	B1	Strong demand for stainless and high alloy steels for household appliances promises favorable earnings and a liberal dividend.
Colorado Fuel & Iron.....	1.75	1.73	def.60	.52½	.60	15	....	4.0	B-3	Increased industrial activity in southwest should help this producer. Capital needs limit dividend.
Continental Steel .....	1.55	1.22	1.38Se9	.80	.80	17	13.9	4.7	C+1	Removal of price controls favorable. Wider profit margins for wire specialties should improve earnings and assure current dividend.
Crucible Steel .....	8.23	7.26	def2.23Se9	2.00	Nil	32	4.4	....	B-3	More favorable labor conditions expected to improve results of this producer. Better profit margins indicated. Higher dividend possible.
Inland Steel (W).....	2.38	2.01	3.18	1.50	1.83½	40	12.5	4.6	B1	Strategically located plant and emphasis on light steels are favorable for improvement in earnings and increase in 1947 dividend.
Interlake Iron .....	.73	.41	.58Se9	.25	.60	13	31.7	4.6	C+1	High rate of activity is favorable for this independent merchant iron producer. Recovery in earnings indicated favoring higher dividend.
Jones & Laughlin Steel.....	5.52	2.91	3.79	2.00	2.00	36	9.5	5.5	B2	High production volume and unusually wide profit margins point to earnings improvement promising for continuance of liberal dividend.
Keystone Steel & Wire.....	1.95	2.10	2.78	1.40	2.85	45	16.2	6.3	B1	Deferred demand for wire products in farm area should assure large volume. Better profit margins favor liberal dividend.
National Steel (W).....	5.84	5.04	9.17	3.00	3.25	86	9.4	3.8	B1	Strategically located plants and fuel sources give this light steel producer advantages. Earnings improving. Dividend fair.
Republic Steel (X).....	2.44	1.36	2.53	1.00	1.00	28	11.1	3.6	B1	Increased operating efficiency and high output rate indicate sharp gain in earnings. Increase in dividend likely before end of 1947.
Sharon Steel .....	2.36	1.86	3.49Se9	1.00	1.30	33	17.7	3.9	C+1	High rate of activity in household appliance industry should find reflection in large volume for this company. Conservative dividend.
Superior Steel .....	2.21	1.24	3.50	.60	.60	22	6.3	2.7	C+1	Increased supplies of semi-finished steel expected to permit larger output and better profit margins. Outlook is for higher dividend.
U. S. Pipe & Foundry.....	2.67	2.03	1.20	1.60	1.60	40	33.4	4.0	B3	Expansion in residential construction creating greater demand for cast iron pipe and better labor conditions should lift 1947 earnings.
U. S. Steel (X).....	6.03	3.77	7.29	4.00	4.00	74	10.1	5.4	B1	Strong demand and increased operating efficiency expected to enlarge earnings despite wage increases. Conservative dividend.
Wheeling Steel .....	6.32	3.75	6.25	.75	1.50	40	6.4	3.7	B1	Sales volume likely to expand with increased demand from automotive and building industries. Earnings increased, dividend secure.
Woodward Iron .....	3.09	.61	3.18Se9	1.50	2.50	46	75.5	5.4	B1	High rate of activity in steel industry favorable for producers of merchant pig iron. Earnings benefited. Dividend conservative.
Youngstown Sheet & Tube (X)	5.84	4.12	8.51	2.00	3.00	67	7.9	4.5	B1	Increased demand for pipe from oil industry and for other major products. Earnings on uptrend suggest higher dividend.

def—Deficit. Se9—For 9 months ended September 30. (e) After extraordinary adjustments, net was \$3.96. \*Based on 1946 net, where reported.



Tremendous demand and increased prices for petroleum products mean an active year ahead—and a profitable one—for most companies in the oil industry.

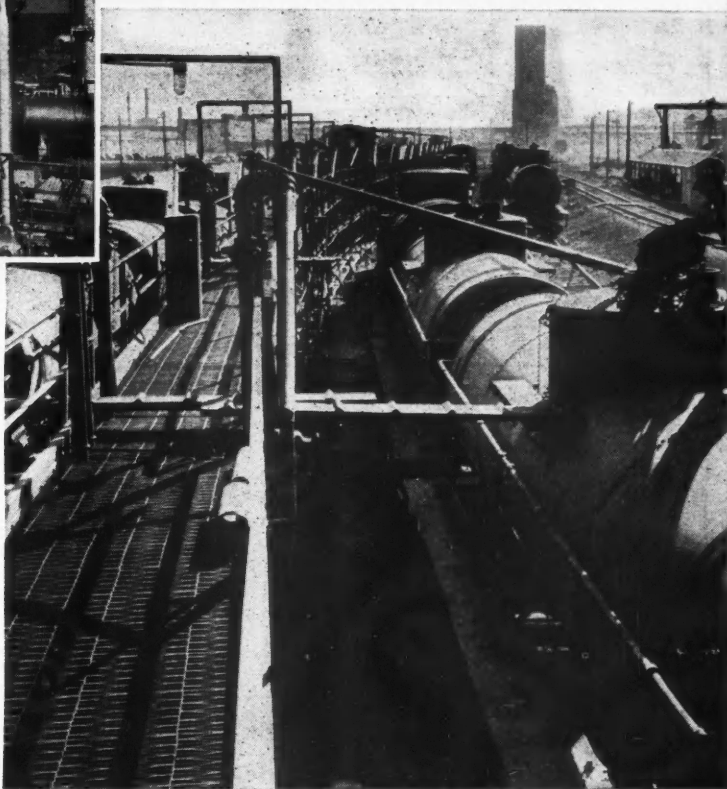


Photo by Phillips-Shell

# Changing Status OF OIL STOCKS

By HENRY L. BLACKBURN

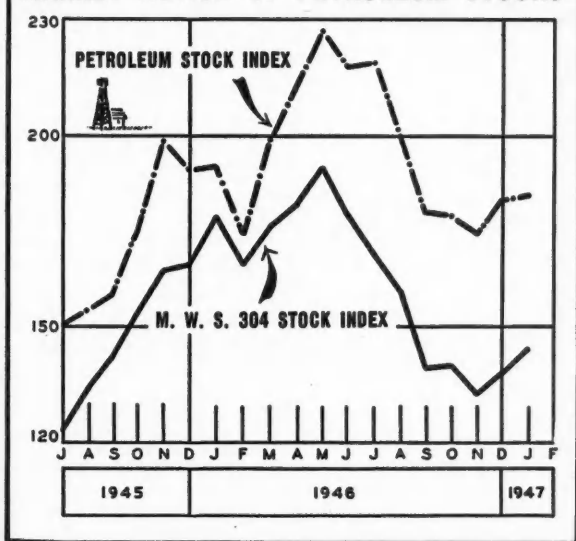
THE OIL INDUSTRY swings into 1947 in high gear with a broad road of continued progress beckoning a head. To carry the simile further, there are very few irregular stretches of the road and perhaps no rocky ones to be seen. The past year witnessed several constructive developments, notably price increases, which in the aggregate probably fully offset higher costs. Crude oil price increases were ten cents per barrel in April, 25 cents in August and 10 cents further in November, followed this year by 10 cent higher

postings in several Texas fields. The average price for crude east of California had remained at approximately \$1.11 exclusive of subsidies throughout the war period. While the price increases are understood to have become effective down the line to the finished products, producers and the integrated companies received the greatest benefits to their earnings power, as the year progressed. Pennsylvania-grade crude was advanced 10 cents a barrel January 1, 1947—the fifth price increase within a year. However, the present price of \$3.65 per barrel for Bradford district oil compares with \$3 exclusive of a 75 cent government subsidy a year ago. The subsidy is now entirely eliminated for Buckeye and Eureka grades, and is reduced to 6 cents per barrel for southwestern Pennsylvania grade and 20 cents for Bradford and Alleghany grades. It should be noted that the higher price levels stem from the general increase in commodity prices since the close of the war, and that oil prices still are relatively reasonable.

## Inventories Are Not Excessive

While a few of those interested in the industry's welfare are concerned regarding the increases over the past year in stocks of distillate fuel oils and residual fuel-oil, an offsetting fact is that civilian stocks of oil products, especially distillates, needed to be rebuilt. The latter fuels are used for home heating and Diesel motors of all (Please turn to page 578)

## MARKET ACTION OF PETROLEUM STOCKS



### Position of Leading Petroleum Stocks

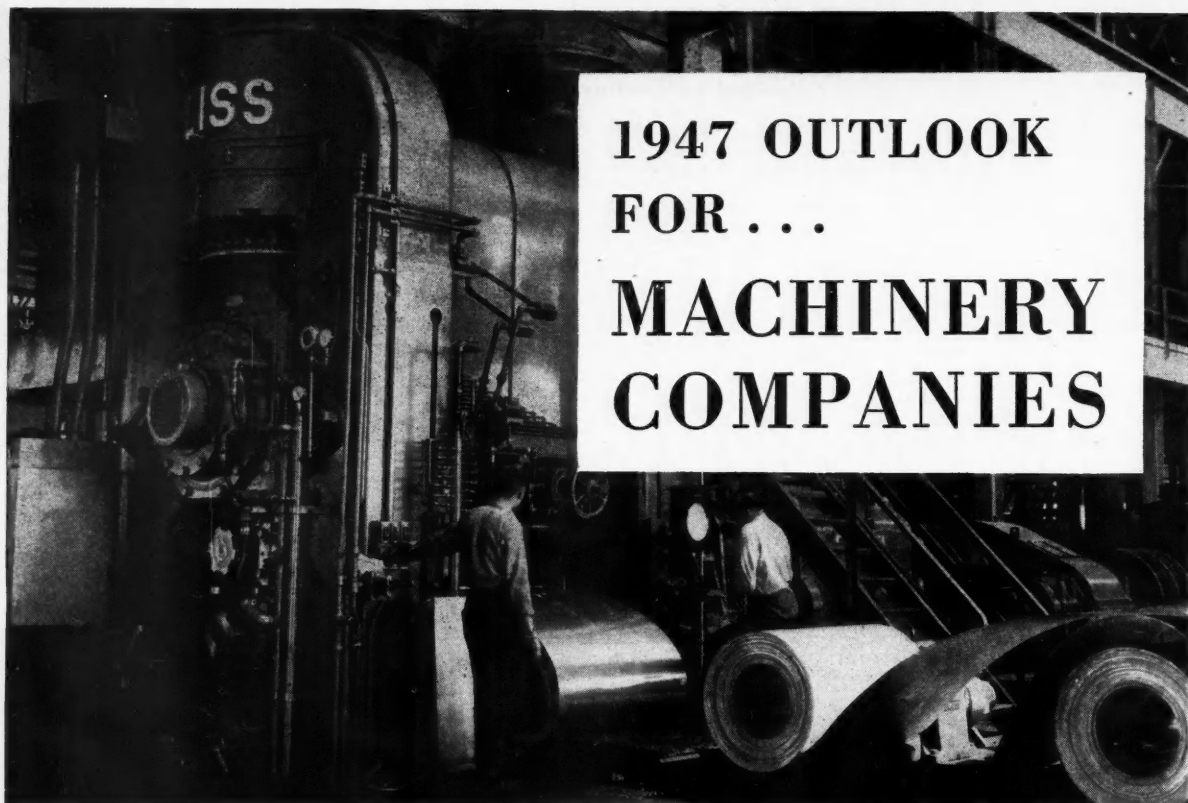
	— Net Per Share —		1945	9 mos. ended Sept. 30, 1946	1946 Dividend	Recent Price	Price Earnings Ratio	Dividend Yield	Invest- ment Rating	COMMENTS
	1936-39 Average	1941-44 Average								
Amerada Petroleum .....	\$1.15	\$2.52	\$3.42	\$3.80	\$1.87½	\$83	25.2	2.3%	B1	Enjoys perhaps the largest reserves per share of any listed company. Management aggressive in building production and pipe line outlets. Could further increase dividends.
Atlantic Refining .....	2.29	4.15	.34	3.26*	1.50	34	10.5**	4.4	C+1	Eastern Seaboard refiner and marketer has increased production in past few years. Under current auspicious conditions earnings may improve further; but larger dividend unlikely.
Barasdoll Oil .....	.97	1.70	1.97	1.59	.90	24	12.2	3.7	B2	Increasing civilian demands favored this producer and distributor of petroleum. Larger dividend in prospect.
Continental Oil .....	1.77	2.92	3.23	2.58	1.70	39	12.0	4.3	B2	Integrated company. Exceptionally conservative accounting methods. Increasing its already large oil reserves requires sound use of funds but allows only moderate increase in dividends.
Gulf Oil (W) .....	2.38	3.52	4.98	2.95Je6	2.50	60	12.0	4.1	B2	A major company in all phases of the oil business has for years plowed back earnings. Dividends, higher in 1946, should increase further commensurate with good earnings which are to be expected.
Humble Oil .....	2.04	2.37	3.94	....	1.62½	60	15.2	2.7	B1	Subsidiary of Standard Oil Co. (N. J.), one of the largest crude oil producers, concentrates in Texas. Somewhat more liberal dividends in recent years and prospects of excellent earnings indicate further dividend increases.
Mid-Continent Petroleum... (W)	1.85	3.26	4.34	4.12	2.00	36	8.3	5.6	B1	Relatively small refiner and marketer, has improved production and has possibilities of further gains through past discoveries.
Ohio Oil (W) .....	.54	1.90	2.13	1.99	1.25	23	10.8	5.4	B1	Sharply increased production of crude oil in 1946 resulted from 1945 discoveries. Also operates important gathering and trunk pipe lines.
Pan-Amer. Petroleum & Tr. .	.72	1.16	1.11	1.68	.40	15½	14.0	2.6	C+1	Has relatively small crude production, especially in comparison with refiner needs. Earnings variable. A dividend of 75 cents was declared payable February 24, 1947.
Pantepec Oil of Venezuela..	....	.22	.75	....	.64	11	14.6	5.8	C2	Large proven reserves jointly owned with Creole and with Atlantic Refining are being successfully drilled, and have further potentialities for increasing production.
Phillips Petroleum .....	3.42	3.47	4.60	3.00	2.00	57	12.4	3.5	B3	Well integrated company. New business includes supplying most of natural gas for large pipe line to California. Dividend, very conservative, might be increased in 1947 to probably \$3.
Plymouth Oil .....	2.37	1.85	1.65	1.35	1.00(b)	22	13.3	4.5	B2	A specialist in production of crude. Reserves relatively large in West Texas and Texas Gulf Coast. Deeper horizons have improved production possibilities. Plowing back of earnings tends to limit increases in cash dividends.
Pure Oil (W) .....	1.33	2.74	2.64	1.48Je6	1.25	22	8.3	5.7	B1	Earnings of this integrated unit probably were equal to about \$3.50 a share in 1946 and will be at least as good in 1947.
Quaker State Oil Ref.....	1.12	1.38	1.37	2.09	1.20	23	16.8	5.2	B1	Processor of lubricants and greases derived from Pennsylvania Crude. Steady earnings likely to maintain current dividend rate.
Richfield Oil .....	.58(a)	.99	.74	1.12	.80	15	20.3	5.3	C+1	Improved operating efficiency may result from company's production in East Los Angeles field near the refinery. Marketing is important. Dividend increase is likely.

\* Year ended December 31, 1946. \*\* Based on 1946 year net.  
(a) 1938-9 avge. (b) Plus 2% stock. Je6—For 6 months ended June 30.

### Position of Leading Petroleum Stocks

	Net Per Share		1945	9 mos. ended Sept. 30, 1946	1946 Dividend	Recent Price	Price Earnings Ratio	Dividend Yield	Invest- ment Rating	COMMENTS
	1936-39 Average	1941-44 Average								
Seab'd Oil of Del. (X)....	\$1.72	\$1.33	\$2.20	\$1.46	\$1.00	\$25	11.4	4.0%	B3	Well established but not a large producer is 1/3rd owned by Texas Co. Relatively substantial reserves. Good earnings may permit paying off the small bank loans and increasing dividends.
Shamrock Oil and Gas.....	.04	.87	.87	1.16*	.50	23	19.8**	2.2	B-1	Panhandle producer of natural gas (also oil) is scheduled to start deliveries to two large pipe lines this year. Earnings estimated at \$1.10-\$1.15 last year and \$1.60-\$1.75 this year. Further dividend increase likely.
Shell Union Oil (X).....	1.12	1.63	2.13	1.78	1.50	29	13.6	5.2	B2	Internationally operating and well integrated leader. Earnings slowly recovering from moderate decline. Year dividend well covered in first 9 months. Stock volatile and is a potential market leader.
Sinclair Oil .....	.94	1.70	1.31	1.00Je6	1.00	16	12.2	6.2	B-2	Earnings improving with favorable trends in industry. Making efforts to correct relatively small crude production and make dividend more secure.
Skelly Oil .....	3.68	6.17	8.69	6.60	2.00	69	7.9	2.3	B1	Expected to show, in round numbers, \$10 a share for 1946 and \$12 a share in 1947. Well integrated operator with ample reserves.
Socony-Vacuum (W) .....	1.40	1.38	1.36	....	.75	14 1/2	10.7	5.1	B3	Expansion in Middle East will give greater and more balanced supply of crude. Dividend increase in 1947 not likely.
South Penn Oil.....	1.56	1.97	2.44	1.70Je6	2.00	32	13.1	6.2	B1	Dominant producer of Pennsylvania grade oil with well established trade position. Earning power and financial strength support liberal dividends.
Standard Oil of Cal. (X)...	2.14	2.75	4.27	3.77	2.30	56	13.1	4.1	B2	Leader on Pacific Coast. Sustained demand for oil products gives prospects of further utilizing part of immense oil reserves here and in Middle East. Dividend increase probable.
Standard Oil of Indiana....	2.70	3.31	3.29	2.30Je6	1.75	41	12.4	4.2	B1	Largest Mid-Western operator in all divisions, notably chemical derivatives, with all modern facilities. Large investment in Standard Oil (N. J.) Earnings tending upward; larger dividend likely.
Standard Oil of N. J. (X)	3.88	4.59	5.64	3.22Je6	3.08	68	12.0	4.5	B2	World-wide unit. Oil production about equals refiner runs. Favorably situated, and the largest company. Further increase in dividend probable.
Sun Oil .....	1.99	4.01	4.44	4.17*	1.00	73	17.5**	1.4	B3	In 1946 increased its already substantial reserves. Earnings, depressed by shipbuilding results in early 1946, should improve with oil prospects.
Texas Co. (W) .....	3.58	4.17	4.61	4.48	2.50	58	12.6	4.3	B1	Nation-wide refiner and marketer with substantial production here and abroad, earnings probably exceeded \$6 last year. Regular and substantial extra dividends assured.
Tide Water Associated Oil..	1.36	1.95	2.57	1.88	1.20	19	7.4	6.3	B2	Medium sized operator, well entrenched in domestic markets. While earnings will vary, the current dividend rate has good protection.
Union Oil .....	1.68	1.50	1.87	1.27	1.00	22	11.7	4.5	B3	Second largest integrated concern on the West Coast. Territory favorable for growth. Dividend is secure.

\* Year ended December 31, 1946. \*\* Based on 1946 year net. Je6—For 6 months ended June 30.



# 1947 OUTLOOK FOR ... MACHINERY COMPANIES

Photo by INP

Heavy machinery will be needed to roll out metal sheets and strips for the manufacture of consumer durable goods.

By ROGER CARLESON

**T**HE MACHINERY INDUSTRY has many sub-divisions and its history has been erratic and cyclical—a feast or a famine business. Naturally, in bad times the average manufacturing company doesn't want new machinery because it is afraid to spend the money. Usually the top of the industrial cycle is the best period for machinery and machine tools; labor is scarce or high-priced and mechanization is a means to reduce labor costs or to make a better product.

But while we are currently in a period of prosperity (with a minor letdown at the moment) the machine tool industry is suffering from a glut of Federal-owned machine tools left over from the war. These are now being thrown on the market almost for what they will bring, threatening heavy cancellations for the machine tool companies just as they were getting in their post-war stride. The War Assets Administration's New York Regional office recently ran a full page ad in the Times offering a "thrifty sale" of 59 kinds of machine tools. At first the WAA sales went very slowly, because of the complicated priorities system. But priority buyers have now been taken care of and many machines are still available at "give-away prices" with as little as 15% down payment. These prices are said to average one-quarter of the original cost. Some machines have been little used, and many have special attachments.

The machine tool companies' business began to drop off in August, 1945 after VJ day, but business held up pretty well in 1946 because many companies needed tools for reconversion and the Federal Government hadn't fully organized its disposal program. Even in December shipments held up well at over \$27,000,000, due to the backlog of orders. But sales have now fallen off to a monthly level around \$19,000,000. Cancellations are rising, and some workers are being laid off by Bullard of Bridgeport and Warner & Swasey in Cleveland.

However, unfilled orders for machine tools still amount to about \$162,000,000, it is reported, averaging a little less than a million apiece for 180 companies. A year ago the business on hand slightly exceeded that figure. Machine tool production during the war totalled about \$1,100,000,000, of which nearly one-fifth was exported. This was about double the total value of all machine tools in use in 1939. At the peak of activity in 1942 dollar sales were six or seven times the 1937 peacetime peak of \$195,000,000.

Government disposal has been handled with the usual postwar letdown in efficiency. The best machines were sold without difficulty, but a vast surplus remained unsold because of disorganized methods of handling sales, and long delays due to red tape and lack of transportation. Hence the present all-out campaign to get rid (*Please turn to page 573*)

# Financial Survey of Machinery Manufacturers

	Net Per Share			Dividend Paid		Recent Price	Price-Earnings Ratio*	Dividend Yield	Investment Rating	COMMENTS
	1941-44 Average	1945	1946	1945	1946					
American Machine & Fdry....	\$1.13	1.02	\$66Se9	\$80	\$80	\$25	24.5	3.2%	C+3	Delay in developing new lines detracts from speculative appeal and makes dividend rate uncertain.
Babcock & Wilcox.....	4.97	6.00	....	1.75	1.75	45	7.5	3.9	C+2	Conservatively capitalized, but cyclical character of the industry makes for erratic earnings. Increased dividend appears likely.
Bliss, E. W. (X) .....	4.62	def.14	2.82Se9	1.00	Nil	23	....	....	C+1	Past record highly erratic, but good report anticipated for 1946. Demand for products heavy. Dividend policy uncertain.
Bucyrus Erie .....	1.33	1.12	.30Je6	.70	.85	17	15.2	5.0	C+2	Should benefit by demand for excavat'g mach'y; earnings and dividends should continue to increase during present favorable cycle.
Buffalo Forge .....	3.16	3.11	2.22Ag9	1.80	2.00	29	9.3	6.9	C+2	Company's diversified lines make prospects difficult to appraise, but stock offers attractive yield and \$2 rate should continue.
Bullard .....	5.07	2.51	def.26Je6	1.50	1.50	21	8.4	7.1	B3	1946 earnings disappointing but some recovery seems possible. Government sales unfavorable factor, but products being diversified. Dividend resumption uncertain.
Caterpillar Tractor (X).....	4.07	3.46	3.25	2.50	3.00	60	18.5	5.0	B2	Has strong position in farm implement industry. While 1946 earnings a little disappointing, improvement foreseen. \$3 dividend rate should continue.
Chicago Pneumatic Tool.....	4.64	3.57	2.53Se9	1.50	1.50	24	6.7	6.2	C+2	Erratic earnings record, but sharp improvement indicated for second half of 1946. 1947 outlook favorable, possible dividend increase.
Fairbanks, Morse & Co.....	4.69	4.34	def.60Je6	2.50	2.50	56	12.9	4.5	B-3	1946 record marred by strikes; heavy demand for Diesel engines improves 1947 outlook. \$2.50 dividends likely to continue.
Food Machinery (X).....	4.40	6.73	5.30Se9	1.31	1.80	90	13.3	2.0	A2	Company has remarkable growth record, strong cash position, large backlog of orders—but may be affected by recent over-production of canned foods. Earnings would permit higher dividend.
Foster Wheeler .....	5.86	2.50	def1.22Je6	1.50	1.25	27	10.8	4.6	C+3	Diversified line, record irregular. Deficit for 12 months ended June, but improvement anticipated. Competitive position improving. \$1 dividend likely to continue.
Ingersoll Rand (W) .....	6.76	6.03	4.76Je6	6.00	7.00	129	21.4	5.4	A1	Investment type stock with dividends since 1910. Excellent earnings for first half of 1946. Outlook favorable with continued liberal dividend.
Link Belt (X) .....	4.32	3.60	2.72Se9	2.00	2.00	53	14.7	3.8	B2	Generally stable earnings, with dividend record since 1907. Good cash position. Outlook favorable with continued dividend extras likely.
Mesta Machine .....	3.05	3.15	....	2.50	2.50	46	14.6	5.5	C+2	1946 earnings handicapped by shipment interruptions but improvement indicated. Regular dividend expected.
Monarch Machine Tool .....	4.90	2.66	2.16Se9	2.00	2.00	29	10.9	6.9	C+2	Long dividend record due to sound cash position. Earnings erratic. Dividends uncertain.
National Acme .....	4.65	3.58	3.71Se9	2.00	2.50	28	7.8	8.9	C+1	Offers attractive yield, excellent 1946 earnings and good cash position. Sales may be hit by government surplus, hence dividend rate uncertain.
Niles-Bement-Pond .....	2.82	1.85	....	1.00	.15	13	7.0	1.1	C+2	Earnings and price record erratic. May be affected by government tool surplus. Good financial position but dividends doubtful.
United Engineering & Fdry... (W)	3.27	2.79	.79Je6	2.00	2.00	40	14.3	5.0	B3	Good financial position, good order backlog with prospects for foreign business. \$2.00 dividend should be continued.
U. S. Hoffman Machy.....	1.77	2.74	5.23Se9	1.00	2.00	31	11.3	6.5	C+1	Favorable earnings for 9 months ended Sept. Demand should continue good for its specialized lines. Dividend increase possible.
Worthington Pump & Machy..	7.70	5.85	6.47Se9	1.50	2.00	62	10.6	3.2	B1	High leverage issue should benefit by large 1946 earnings and may pay dividend extras. Cash position favorable.

\* Based on 1946 year net, where reported. def—Deficit. JE6—For 6 months ended June 30. Ag9—For 9 months ended August 31. SE9—For 9 months ended September 30.

TODAY'S OUTLOOK FOR . . .

# Office Equipment



Photo by Ewing Galloway

Modern Office Appliances are in huge demand to cut high costs of labor and to speed up efficiency. This means several years of excellent business for the business machinery companies—barring any severe general depression.

By C. F. MORGAN

NINETEEN HUNDRED AND FORTY-SEVEN prospects for the makers of mechanical equipment and related items for offices seem to warrant above-average optimism. This industry emerges from a year during which a multiplicity of handicaps had to be overcome—and were overcome in the main. Reconversion difficulties, shortages of materials, unbalanced inventories, mounting costs and price ceilings all contributed with their challenge to orderly and profitable progress. But one by one these annoyances have been tossed largely into the discard, and in the process net earnings steadily trended up during 1946 from a rather dismal start until at the end of the third quarter, averages began to display decided vigor in the right direction. When final quarter returns come in, net earnings generally for the full year should compare favorably with those of 1945.

In appraising the outlook for the coming year this brief summary of operations, looking back over the shoulder, is necessary, because it signals a return to near normalcy as to operations when 1947 begins. Additionally, last year's record shows that the office equipment manufacturers have attained a progressive momentum which if continued during

the current year could be reflected in expanding sales and profits. This hopeful potential applies particularly to some of the stronger specialists in the field, now geared up to full production schedules and racing ahead to make deliveries on orders which should strain their facilities for many months to come, aside from sizable new business well assured from both domestic and foreign sources. Indeed, barring the possibility of anything more than a minor recession later on in the year, some confident managements foresee several years of excellent business ahead.

While the industry as a whole is more than usually sensitive to down-trends in general economic activity, as its own volume is dependent upon the welfare of industrial customers to a large extent, existing fundamentals are such as promise more than ordinary stability over the medium term ahead. As the new competitive era unfolds for every form of business on the globe, cost experts are eyeing research, administrative, sales and accounting procedures severely in the hope that saving of a nickel at one spot might pile up into substantial aggregates to lower over-all outlays. Quite obviously where acquisition of modernized office equipment

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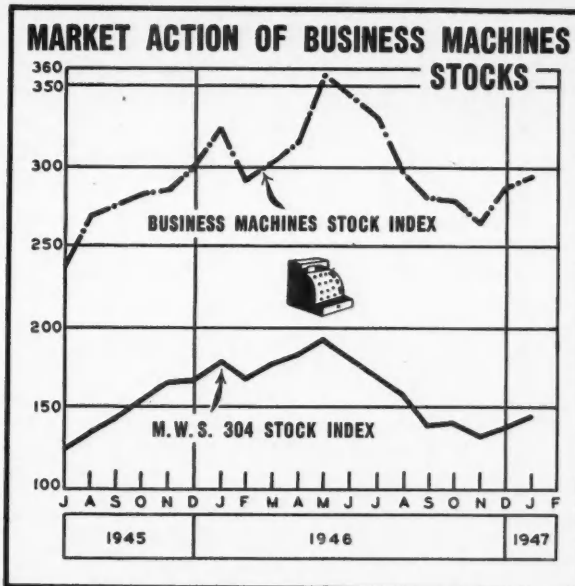
Under

\* Base

FEBRUARY

would provide short cuts to efficiency, this discloses an answer to operating or sales problems, or speed ups, a purchase of the proper devices is rated as an investment rather than an expense, for in the end it is practically self liquidating.

In these days when mountainous work is required to estimate exact sums due to workers, tabulate them for future reference, record them on the books and write out checks with detailed information on them, the use of modern mechanical equipment is imperative. Add to this the compilation of adequate cost records for thousands of items and the enormous amount of paper work required to supply government agencies with full information and it is easy to envisage the prime need for modernized office equipment of multiple description. The old typewriter which machine-gunned out words during five long years of war and simply could not be replaced at all until now has become nothing but a liability. Obsolescence has played such a heavy role in this field that even the Government has practically no surplus machines to offer, stocks in the hands of manufacturers for reconditioning are very low and secondhand dealers have almost none on their shelves. To a large extent the same situation holds true with adding, calculating and recording equipment. Under these conditions, it is safe to predict that present large backlog orders held by



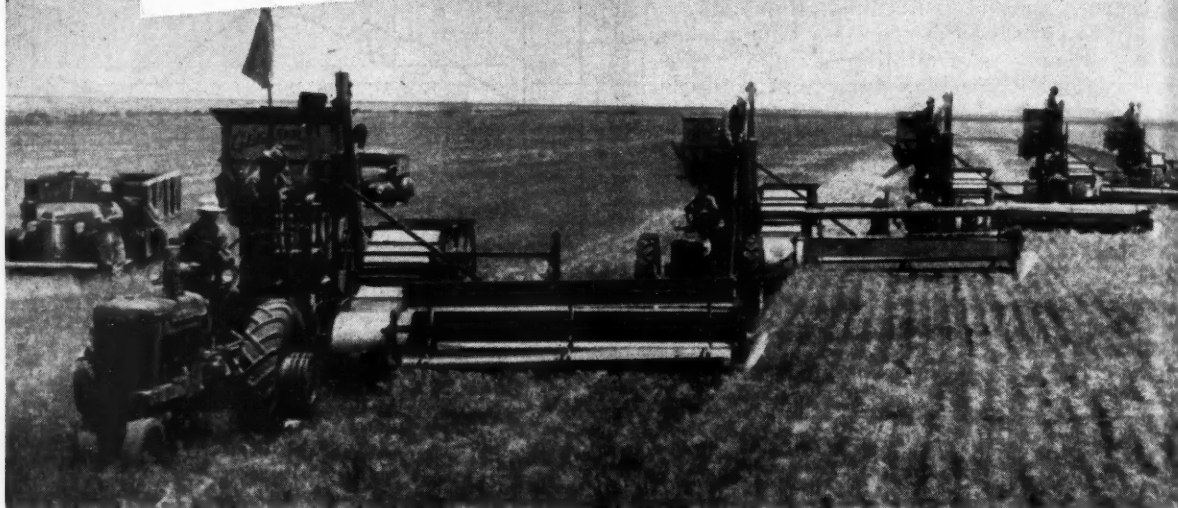
manufacturers will be less subjected to later cancellations than may the case in other segments of industry. In other words the outlook for good business in 1947 is strongly (Please turn to page 576)

#### Financial Survey of Office Equipment Stocks

	Net Per Share		Dividend Paid		Recent Price	Price-Earnings Ratio*	Dividend Yield	Investment Rating	COMMENTS
	1941-44 Average	1945	1946	1945					
Addressograph-Multigraph X	\$1.83	\$1.60	\$2.07	\$1.00	\$1.10	\$35	17.0	3.1%	B1 Prospects that earnings may nearly double in the fiscal year ending July 31, 1947 enhance hopes of more liberal treatment of shareholders.
Burroughs Adding Machine...	.81	.25	.11Je6	.40	.55	15	60.0	3.6	B1 Rising sales and wider margins point to a broad coverage of the present 15 cents per share quarterly dividend during the medium term.
Inter'l Business Machines..... W	7.32	7.61	9.16Se9	4.80	6.00	218	28.7	2.7	A1 With indications that near record volume is in sight, earnings potentials during the current year are enhanced. Company is traditionally liberal with shareholders.
National Cash Register..... X	2.00	1.33	.81Se9	1.25	1.25	39	29.3	3.2	B3 Outlook ahead bright for this specialist with favorable prospect for earnings uptrend. Dividends secure but company policies are conservative.
Remington Rand .....	2.05	3.01	4.80De9 ..	1.20(a)	1.30(a)	36	12.0	3.6	B1 Heavy demand for labor-saving devices promises good business in near term. Dividend empty earned but loan restrictions may preclude an increase.
Royal Typewriter .....	1.29	1.12	.30	.60	.60	22	7.3	2.7	B1 Volume gains may bring decline in unit costs, thus benefitting net. The increased 25 cents per share dividend unlikely to be changed.
Smith, L. C. & Corona.....	3.46	1.81	2.69	1.50	2.00	33	12.3	6.0	B1 Expansion in facilities an aid in meeting large demand. Fair chance that dividend may be increased some time in 1947.
Underwood Corp. .... W	3.64	3.04	1.25Se9	2.50	2.50	53	17.4	4.3	A3 Net earnings in current year should advance rather sharply compared with 1946. Prospects for more liberal dividends rather favorable.

\* Based on 1946 year net, where reported. (a) Plus 5% Stock.

# WEIGHING POTENTIALS IN . . . FARM EQUIPMENTS



With another bumper crop forecast for 1947, and with farm income likely to remain close to last year's record, the farm machinery companies should prosper if they can end present troublesome labor problems.

By EDWIN A. BARNES

**T**HE FUTURE of the agricultural machinery producers is tied up inextricably with farm income. In 1946 the nation's farmers enjoyed record income of \$23,000,000,000, a rise of about 10 per cent above 1945 receipts. The year was a bumper one, indeed, with an increase in the volume of crops of 7 per cent above 1945 and 2 per cent over the previous peak year of 1942.

Reports from the Agricultural Department, issued February 5, estimate that farmers will receive about \$4,000,000,000 from marketings and government subsidies during the first two months of 1947. This is a 30% increase over the same period of 1946. Clearly our farmers seem headed for another great income year even though the Department of Agriculture sees a possible decline of ten or fifteen per cent due to some price weakening from the high levels prevailing in 1946 and modest slackening in both foreign and domestic demand. Some decline has taken place in commodity prices and our futures markets are forecasting further decline. However, at worst, it is hard to visualize farm income showing anything more than a moderate drop under last year's peaks.

One realistic reason is the great devotion of politicians to our agricultural sections which are so important politically. Under the Steagall Amend-

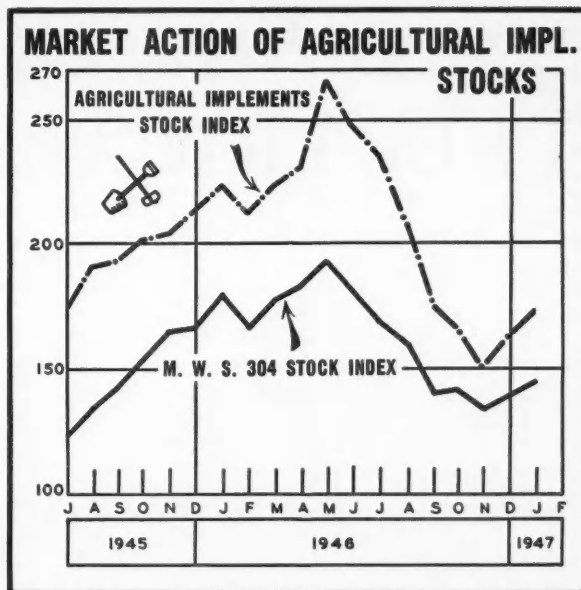
ment, our government is committed to support prices of basic commodities at 90 per cent of parity, with cotton at 92½ per cent, through the next two years. Secretary of Agriculture Anderson, two weeks ago, expressed fear that this might cost approximately \$1,000,000,000 annually. President Truman's suggested budget has allowed only \$330,000,000 for these payments. If we have any severe commodity price decline our budget for the next fiscal year will be thrown badly out of balance. Be that as it may, farm income will be huge and prosperity should be reflected in the earnings of the agricultural machinery companies, with a consequent benefit to shareholders in the form of liberal dividend disbursements and a better market record than in 1946, if stock price trends are of a nature to capitalize good corporate income.

In 1946 output reached a new high of \$720,700,000 against \$633,700,000 in 1945, as reported February 4 by the Office of Temporary Controls. Price advances were eliminated in comparing the two figures. Exports in 1946 accounted for 10.5% of total production, compared with 12% in 1945.

Just how big will sales be? One way in which we can estimate this is to take the average of net cash farm income which was spent for equipment in the years 1925 through 1940. This was 8.8%.

In 1941 the percentage rose to 10% and in the war years 1942 through 1945, because of shortages the percentage dropped to approximately 7.4%. However, if we take the pre-war years' percentage figures and apply them to estimated income for 1947 for farmers, as we measure it under today's outlook, we have a gross sales potential of about 1 billion dollars, including the demand from abroad. To arrive at this one billion dollar figure we take 1946 farm income of \$23,000,000,000 and allow for a 10% decline before applying the normal 8.8% expenditures for farm machinery. With this flow of money from farm pockets, there is room for good earnings for all the companies in this field.

Some readers may believe it too conservative to judge the amount of farm income spent for tools by pre-war levels and we grant that there is much to be said for some further optimism. There has been a sharply increasing trend toward mechanization of the farm due partly to labor conditions, and this is likely to continue. The American Society of Agricultural Engineers, financed by Rockefeller money, has been conducting various research projects into simplification of farm work, the application of time and motion studies to the farm and the planning for all around greater efficiency. Even without any scientific prodding, however, the farmer who is mighty smart in his own right, has been buying a great many more tractors, grain combines, cultivators, corn pickers, corn and cotton planters and hay balers than he had at the begin-



ning of the war. In addition, he has shown himself willing to adopt the various new machines as they have been developed in recent years, including the mechanical cotton picker, the beet harvester, the forage harvester and the self-propelled combine. Everywhere the horse is being replaced by the motor.

What may be the (Please turn to page 582)

Position of Leading Farm Equipment Stocks

	Net Per Share			Dividend Paid		Recent Price	Price Earnings Ratio*	Dividend Yield	Investment Rating	COMMENTS
	1941-44 Average	1945	1946	1945	1946					
Allis-Chalmers .....	\$3.96	\$2.95	def\$6.96Se9	\$1.75	\$1.60	\$37	12.5	4.3%	B3	Badly upset by protracted strikes. Good backlog of orders on hand. 1947 earnings outlook improved. \$1.60 dividend should continue.
Case, J. J. ....	2.46	3.16	.....	1.20	2.00	36	11.4	5.5	B1	Still partially tied up by labor trouble. 1947 should see improvement in earnings and fair dividend on split stock.
Deere & Co. .... X	3.39	2.16	2.46	1.50	1.50	36	14.6	4.1	B2	Earnings growing. This 2nd largest farm equipment company is benefiting from price relief and heavy demand. \$1.50 dividend amply covered.
Intl. Harvester .... W	5.03	4.42	3.91	3.00	3.00	73	18.6	4.1	B2	Production recovered rapidly from effect of strikes. Tight supply situation improving. Earnings trend should be better with at least \$3 dividend in 1947.
Minneapolis-Moline .....	1.44	.56	1.52	Nil	Nil	10	6.6	....	C1	Company has poor prewar record. Settlement of preferred stock arrears will involve recapitalization. Earnings up but no dividend probable.
Myers, F. E. & Bro. ....	3.69	3.57	3.58	2.25	3.00	55	15.4	5.4	B2	Substantial order backlog. Profit margins widening. Earnings should be moderately higher with probable \$3.00 dividend in 1947.
Oliver Corp. .... X	2.54	1.63	2.04	1.00	.50	23	11.3	2.2	B1	Earnings sharply increasing. Dividend policy conservative. Good leverage stock for capital growth with improvement in labor and supply problems.

\* Based on 1946 year net, where reported. def—deficit. Se9—For 9 months ended September 30.

# Varying Prospects For ... ELECTRICAL EQUIPMENTS

By STANLEY DEVLIN



Photo by General Electric

Easier flow of needed materials and improved labor relations should speed supplies of household equipment. Removal of price controls and a heavy pent-up demand for electrical appliances augur well for 1947.

**M**ECCHANIZATION has received a tremendous impetus in the last few years. Greater reliance than ever before must be put on automatic machines to replace hand operations as a means of counteracting sharply rising manufacturing costs. The market for labor-saving devices has been immeasurably widened by wage increases of 50 per cent or more since the war began.

Probably no other industry is more cognizant of potentialities in this direction than the electrical equipment makers. Perhaps this awareness of benefits to be derived from electricity comes from long research in developing and marketing new appliances. Essentially, the widespread need for modern machines is the basis for an encouraging outlook for manufacturers in this group.

Because of an extensive diversion of workers from offices, farms and households to factories, the need for electrical appliances in business, in agriculture and in the home is as urgent as in industrial plants. The market for household appliances probably is larger than consumer surveys have indicated, for output of vacuum cleaners, washing machines, irons, etc., has been curtailed for a lengthy period, and replacement demand promises to remain active for some time to come.

Manufacturing prospects in this industry have

brightened in recent months as a result of: (1) Removal of OPA price controls, which had retarded production by large manufacturers whose labor costs had been lifted far above pre-war levels; and (2) a more abundant flow of essential raw materials, especially copper, zinc and stainless steel. Indications that serious labor disputes that interrupted 1946 operations may not be repeated this year strengthen the encouraging outlook for a higher production rate and consequent wider profit margins.

In examining the outlook for electrical equipment manufacturers, the analyst finds it more difficult to generalize than in some other lines. This difficulty arises from the fact that pre-war production balances have been distorted. A great many new manufacturers have ventured into the radio field, for example, and deferred demand for table model radios appears to have been reasonably well satisfied. Price weakness has developed in some areas, at least in small table models and it seems apparent that margins in this business from now on will be smaller than had seemed probable a year ago. Inasmuch as several of the large representatives of the industry are engaged to some extent in production of radios, this situation may be a factor in influencing 1947 earnings. (Please turn to page 580)

### Financial Survey of Electrical Equipment Stocks

	Net Per Share			Dividend Paid		Recent Price	Price-Earnings Ratio <sup>a</sup>	Dividend Yield	Investment Rating	COMMENT
	1941-44 Average	1945	1946	1945	1946					
Apex Electrical .....	\$ .51	\$1.08	....	\$.25	\$.06¼	\$8½	8.8	¾%	C1	Increased supplies of essential materials expected to boost production but keener competition is indicated for household appliances business. Dividend probably maintained.
Black & Decker Mfg.....	2.35	2.13	4.70	1.60	2.30	34	7.2	6.8	C+1	Growing demand for labor saving tools should sustain sales and earnings at current high levels. Maintenance of liberal dividend indicated.
Corael-Dubilier (X) .....	2.79	1.37	2.06	.80	.80	20	9.7	4.0	C+1	High rate of operations expected to continue but profit margins may be narrower. Outlook promising for maintenance of stable dividend.
Cutler-Hammer .....	2.44	1.94	1.47Se9	1.50	1.50	28	14.4	5.3	C+2	Trend toward automatic machinery in industry should stimulate use of electrical controls. Prospect favorable for continuation of current dividend.
Emerson Electric .....	2.70	2.61	def1.02	1.00	Nil	13½	5.2	Nil	C+3	Strong demand for electric motors from appliance manufacturers should sustain sales and earnings. Need for capital may defer dividend resumption.
General Electric (X).....	1.71	1.96	.01Se9	1.55	1.60	38	19.4	4.2	A3	Increased demand for heavy equipment by utilities and expansion in household appliance output assures recovery in profits and dividend continuation.
Gray Mfg. ....	.92	1.22	....	Nil	Nil	12	9.8	Nil	C1	Deferred demand for electric specialties should sustain sales but prospect of dividend resumption seems uncertain. Keener competition likely.
Master Electric .....	2.95	1.72	1.42Se9	1.40	1.50	33	19.2	4.6	B2	Demand for small electric motors and speed controls promises favorable sales trend. Earnings should sustain current dividend for near-term.
McGraw Electric .....	2.16	1.71	2.92Se12	1.50	2.50	38	22.2	6.6	B1	Outlook appears favorable for relatively high earnings until deferred demand for appliances has been satisfied. Liberal dividend policy to continue.
Sangamo Electric .....	2.16	1.93	....	1.10	1.10	28	14.5	3.9	C+2	Increase in residential building should stimulate demand for meters and sustain earnings. Conservative dividend policy expected to be maintained.
Square D Co. (X).....	1.56	1.13	1.10Se9	.68	.77	18	15.9	4.3	B1	Use of electric controls in automatic machinery should enlarge 1947 volume. Earnings increase anticipated and possibly a higher dividend.
Sunbeam (X) .....	2.28	2.17	....	1.40	1.40	31	14.3	4.5	B2	Aggressive merchandising expected to promote sales of household appliances at high level. Earnings expected to show improvement. Higher dividend possible.
Udylite .....	.59	.65	.41Je6	Nil	.59	12½	19.2	4.7	C1	Increased activity in automotive and household appliance industries requiring automatic equipment expected to bolster sales and earnings. Dividend appears safe.
Westinghouse Electric (W)..	1.71	2.03	.18Se9	1.00	1.00	26	12.8	3.8	A3	Indicated freedom from labor trouble and higher rate of production should lift 1946 earnings but no change in current dividend rates seems imminent.
Weston Electric Instrument.. (W)	3.49	3.02	6.30Se9	1.70	2.00	54	17.8	3.7	B1	Greater emphasis on laboratory research expected to enlarge demand for indicating instruments. Earnings justifying liberal dividend expected to continue.

<sup>a</sup> Based on 1946 net, where reported. Se9—For 9 months ended September 30. Je6—For 6 months ended June 30. Se12—For 12 months ended September 30.

# Opportunities...

*for Income and Price Appreciation*

## IN BONDS And PREFERRED STOCKS

By JACKSON D. NORWOOD

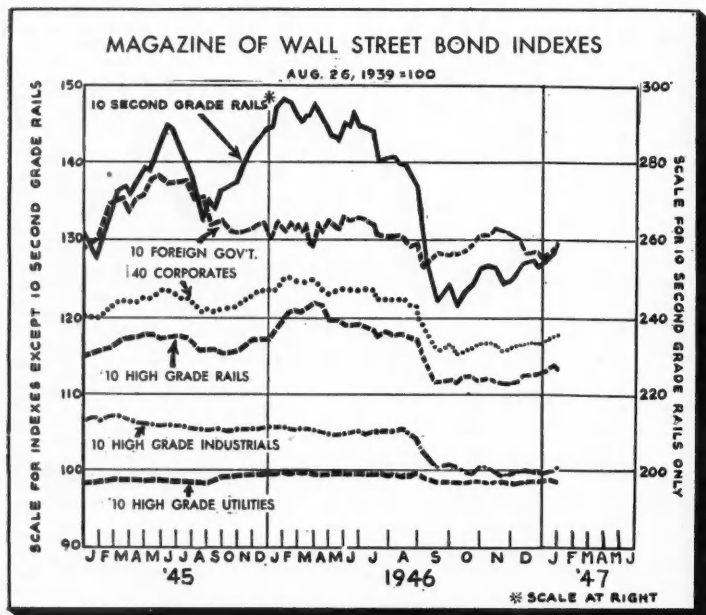
**T**HE MAGAZINE OF WALL STREET's Index of Bond Prices showed the following changes for the period indicated:

	On Jan. 25	On Feb. 1	
40 Domestic Corporates	117.5	117.9	+ .4
10 High Grade Rails	113.9	113.6	— .3
10 Second Grade Rails	257.1	259.3	+2.2
10 High Grade Utilities	98.7	98.7	. . .
10 High Grade Industrials	99.4	99.6	+ .2
10 Foreign Governments	129.2	129.8	+ .6

A generally firm tone was characteristic of the bond market during the past two weeks. Second Grade rails exhibited fair strength in rising on the average by about 2.2 points, in contrast to a neg-

ligible dip on the part of the rail liens enjoying high investment status. In computing averages, however, the real story is often obscured, for there are always laggards as well as leaders to be reckoned with in ascertaining the over-all figures. Thus during the period under review, Second Grade Rails representing issues which enjoyed a fair record in poor times and those of recently reorganized concerns accounted for most of the gains. But a number of Rails with less encouraging factors slid off pricewise to quite a considerable extent, reflecting uncertainty over reorganization plans or prospects of unfavorable earnings. While on balance the average showing was on the upside, accordingly, speculative influences brought about divergent trends in the final analysis.

At the start of a new year it is always interesting to glance at the course pursued by average bonds prices during the previous twelve months period, for in a broad manner this discloses the equally important aspect of income trends. In this respect the appended Bond Index chart which appears in each number of the Magazine serves to illuminate the varying price levels achieved by the different groups over a considerable period. At a glance it will be seen that a downtrend in prices for all of the six groups depicted has been general during the last year. As might be expected, this means that yields as a rule have become more attractive compared with a year ago and without distinction as to the different categories. On a basis of January to January, the yield on Second Grade Rails used in the Dow Jones Index rose from a level of 4.36% in 1946 to 5.26% in 1947,



on Industrials from 2.95% to 3.41% and on better grade Rails from 2.54% to 3.32%. Some reversal of this trend, however, has occurred since December and the big question is how long will it continue to exhibit vigor. As the answer has not yet become clear, we think our readers would do well to continue a cautious policy by maintaining a liberal cash position, where conservation rules.

War-induced general prosperity, bringing in its wake a five-year interim when net earnings of many concerns reached a gratifying level compared with those of former years, has created a new status for a good many preferred stock issues tainted by arrears. Because of favorable conditions in the money markets, a surprising number of capital adjustments have been made, resulting in complete clearance of overdue dividends of this kind once considered well nigh hopeless. As an outstanding example, we might point to American Woolen Co., which last December won a clean slate through exchange for new preferred or by payment of \$58.50 in a single distribution to wipe out all accumulated arrears. Long patient holders of Guantanamo Sugar preferred, also, had a gladsome experience when their stock was exchanged or retired at \$105 per share plus \$120 for long deferred dividends. While in like manner a dozen or more similar instances might be cited, it is more interesting to consider the status of a few preferred stocks still burdened with arrears, for if there is a fair prospect that their accumulated dividends may be whittled down or eliminated, both their investment and speculative potentials are worthy of consideration.

**CURTIS PUBLISHING COMPANY** \$7 cumulative preferred, recently quoted around 125 per share, would yield about 5.6% at this price if dividend stability alone were assured. Prior to January 1, 1947, arrears on this stock totalled \$59.12½ per share, but on that date shareholders received checks for \$7 per share, reducing the accumulations to \$52.12½. While it is true that since 1940, this preference stock has been relegated to a minor position through issuance of 689,859 shares of \$3-\$4 prior preferred, there are only 32,320 shares of the 7% issue now outstanding. Hence regular annual dividends requirements on this stock under discussion are relatively light in totalling only about \$220,000 per year, against some \$2.75 million needed for the prior preferred. The leverage thus

created is substantial, as may be noted by the fact that earnings available for the \$7 preferred ranged from a deficit equal to \$47.43 per share in 1942 to a bright level of \$49.28 in the following year. In 1944 and 1945, available net for this issue came to \$22.30 and \$9 respectively. But during the first nine months of 1946, an uptrend in Curtis earnings produced net equal to \$28.70 applicable for the special situation under review, with every prospect that the full year's showing would disclose further gains. The earnings outlook for 1947 is enhanced through boosts in subscription rates for several of its publications as well as for advertising space, and the outstanding success achieved by its new magazine Holiday. These shares are redeemable on 30 days notice at \$120 and accumulated dividends, and are highly speculative, but if the present period of national prosperity continues for long their status should become increasingly interesting.

**Preferred Stocks With Arrears  
Suitable for Moderate Speculative Commitments**

	Arrears to Date	1946 Net	Recent Price
Allegheny \$2.50 Conv. Pr.....	\$30.00	\$31.90Se9	\$64
American & Foreign Pwr. \$7 1st.....	73.67½	22.70Se12	110
American Power & Light \$6.....	43.57½	33.70No12	122
Armour \$6 Pr. Cv.....	15.00	39.01	122
Commonwealth & So. \$6.....	24.50	21.45	122
Curtis Publishing \$7.....	52.12½	28.70Se9	131
Eastern Gas & Fuel \$6.....	38.25	11.03No12	64
Elec. Pwr. & Light \$7 1st.....	89.71½	34.50No12	165
Intl. Ry. Cen. Amer. \$5 Cum. Part.....	33.50	5.00	111
Long-Bell Lumber \$4.....	76.39	.15Se9	22
Minn.-Moline \$6.50.....	32.75	17.25	112
N. Y., Chicago & St. L. \$6.....	84.00	15.44	98
Pere Marquette \$5 Pr.....	36.25	5.76	108
Pittsburgh Steel 5% "A".....	47.50	deficitSe9	69
Standard Gas & Elec. \$7 Pr.....	88.90	18.50Se12	120
White Sewing Mach. \$4 Cv.....	55.50	NilSe12	90

Se9—For 9 months ended September 30. Se12—For 12 months ended September 30. No12—For 12 months ended November 30.

**GENERAL STEEL CASTINGS CORPORATION**

no par \$6 cumulative preferred stock as of November 16, 1946 was in arrears as to dividends to the extent of \$61.50 cents per share. Practically all of these accumulations piled up during the decade prior to the outbreak of war. Since 1942, however, shareholders have consistently received distribution totalling \$6 annually to apply against arrears, thus holding the record on an even basis. The company was incorporated in 1928 to specialize in the manufacture of one piece heavy under-frames for

locomotives and trucks for passenger and freight cars, the saving achieved by this process compared with former practices being substantial. Control of the company is understood to be shared by American Steel Castings, American Locomotive, Baldwin and Pullman. For some ten years following its start, operating results were very discouraging because during that period the railroads were reluctant to order new equipment on any but a negligible scale. Beginning with 1940, however, affairs began to take on a much better face, with production running heavily into armor and ordnance during war years. Net earnings applicable to the preferred ranged from a low of \$11.06 in 1940 to a high of \$32.66 per share in 1941, with an average of around \$17 annually during the six year period. Despite poor results in the first quarter of 1946, net earnings for nine months ended September 30 available for the preferred stock came to (Please turn to page 573)

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# FOR PROFIT AND INCOME

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## Confirmation

Further rise in rails, on volume, could have bullish major-trend significance, for no better reason than that those who diagnose the market via Dow Theory—and their numbers are considerable—would think so. The rail outlook is no less uncertain than before. Freight volume is high, but ceilinged by a car shortage which is due mainly to steel shortage. When steel shortage ends that will be under business conditions less favorable to rail traffic. Another wage hike, perhaps around 10%, will loom up in the spring. On the other hand, there are rumors that another freight rate increase is being considered. Rail earnings this year could be medium-good or mediocre, depending on the breaks. For the long term, the break-even point is now so high that any moderate depression

would put many systems in the red. Rail stocks, with few exceptions, are highly speculative and are not the most favored group. They have no reason to go through the roof.

## Buying Power

The customers have over \$700 million of free credit balances with Stock Exchange member firms. This is latent buying power. So is margin credit, now available up to 25%. To cite these facts makes brokers feel cheerful—but they have no prophetic significance for the market. There is always enough buying power around in one place or another to put the market up, if, as and when people are confident enough to use it. Otherwise not.

## Air Lines' Troubles

In his last column, the writer wondered whether the air line

stocks were cheap despite their decline far greater than the general market. President Monro of Capital Air-lines threw some light on the question since then. He said that the worst thing the industry did was to cut passenger fares about sixteen months ago. Fares are now about 20% below cost. His company lost over \$2,500,000 in 1946, with the expectation of losing about another such sum in the first half of 1947—and earning approximately \$1,000,000 in the second half. With a 10% increase in fares, PCA could be in the black about \$800,000 before taxes in 1947—and rates would still be below railroad plus pullman prices by about 5%, according to Mr. Monro. With everyone taking a "poke" at the airlines over the unusual number of accidents, several of which were on foreign lines, it is time that someone lent a helping hand and a 10% or 15% rate increase allowance does not seem unwarranted. The outlook for different lines is quite selective and a study of the route structures of each company is important to the proper analysis of the various situations.

## Dividends

The dividend trend is still upward. Among the more important companies which either raised quarterly rates or voted

### INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1946	1945
Allied Kid .....	6 mos. Dec. 31	\$2.02	\$ .90
Atlas Plywood .....	6 mos. Dec. 31	2.60	.94
Consolidated Gas of Baltimore .....	Dec. 31 quarter	1.31	.88
Kress, S. H. & Co. ....	Year Dec. 31	5.44	2.13
Pacific Lighting .....	Year Dec. 31	4.84	3.02
Phillips-Jones .....	Year Nov. 30	5.48	1.90
Real Silk Hosiery Mills .....	Year Dec. 31	4.36	1.91
Sutherland Paper .....	Year Dec. 31	4.68	2.12
Vick Chemical .....	6 mos. Dec. 31	2.59	1.93
York Corp. ....	Dec. 31 quarter	.44	.36

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extras within the last several weeks were American Tobacco, Armstrong Cork, Best, Diamond Match, Fairbanks, Morse, General Foods, Kroger Company, Monsanto Chemical, Procter & Gamble, Standard Brands, Swift & Co., Union Bag & Paper, and United Shoe Machinery. Generally speaking, business managements are more confident of the future than are detached economists. Neither group has any monopoly on good judgment. However, it is accurate to say that business men, as a class, have been more uniformly hopeful at boom tops, and more blue at depression levels, than have economists. This is because they are naturally so largely influenced by what they currently see in their own business. This column will now stick out its neck with a prophecy of its own: Whatever happens to production in the second half-year, total 1947 dividends will at least approximate those of 1946, with a moderate gain quite possible.

#### Auto Parts

It is still not possible, in most localities, for a car owner to buy a battery, new fender, muffler or various other replacement parts without weeks or months of waiting and much shopping around. This is due to a continuing unprecedented demand on the one hand; shortages of steel, copper and lead on the other hand. Parts volume in 1946 was about \$1.6 billion, roughly double that of the highest prewar year (1941). Perhaps a quarter to a third of the gain was due merely to higher prices. Volume this year—surely up in the first half, possibly down a bit in the second half—will at least equal 1946. It will probably not return to normal until after about two full years of active new car production, and until after some price cutting on new cars gives motorists less reason to nurse along their old jalopies. We have commented favorably on this group before, noting that Electric Auto-Lite and Borg-Warner are the best issues. However, there are a number which could rise substantially, given further strength in the general

list. Some others to which this column is speculatively partial are Briggs & Stratton, Campbell, Wyant & Cannon, Doehler-Jarvis, Houdaille-Hershey and Motor Wheel.

#### Unusual

National Container—a maker of kraft pulp, kraft paper-board and fibre shipping containers—is an unusual situation in several respects. Estimated earnings for 1946 are over \$6 a share, compared with \$1.52 in 1945 and only 43 cents in the prewar year 1937; and a further gain appears probable this year. The dividend (highest prewar annual payment: 57 cents) was raised from 25 cents quarterly last October to 50 cents, and recently was raised again to 75 cents a quarter, or a \$3 annual rate. The stock recently made a new all-time high at 39¾. Its bull-market high, adjusted to present capitalization, was only 6½. On the one hand, some part of present demand for paper shipping containers is abnormal. How much is hard to say. On the other hand, this company is by no means what it was before the war. Through acquisitions and other expansion, capacity has more than doubled even since 1944; full integration has been achieved; and the operating record appears to indicate good control of costs. This is another illustration of the wide potentialities in stocks of successfully aggressive small companies, as compared with the relatively stodgy performance of the “sacred cows” of the market.

#### Tobacco Stocks

The cigarette companies generally had excellent gains in 1946 earnings, due to high volume and to the successive price boosts put into effect in April and October. There will be a further substantial rise in earnings this year, reflecting well-maintained sales and the benefit of last October's price boost for a full year. The leaders in dollar sales and in percentage share of the cigarette market are American Tobacco and Reynolds Tobacco. Both had competitive gains last year, all others small declines. When the figures are in, it will very likely be seen that Reynolds made the best competitive progress. American Tobacco probably earned somewhere between \$6 and \$6.50 for 1946, and figures to net perhaps \$8 to \$9 a share this year. Assuming another 50-cent extra later in the year, the dividend would be \$4.25, against previous \$3.25 rate, giving a yield over 5.1% at present price around 82. Reynolds earned \$2.62 last year, against \$1.85 the previous year, and probably will make something like \$3.40 to \$3.60 this year. There have been few years, over the past decade, in which it has distributed less than 90% of earnings to stockholders. However, on a ratio of even 75%, the dividend might be \$2.50, against \$1.75 at present, yielding around 6% on current price of about 42. Both of these stocks appear to offer solid values at reasonable prices, with Reynolds probably the better buy.

DECLINES SHOWN IN RECENT EARNINGS REPORTS

		1946	1945
Beech Aircraft .....	Year Sept. 30	def. \$ .57	\$9.30
Checker Cab Mfg. ....	Year Dec. 31	.27	.29
Dome Mines, Ltd. ....	Year Dec. 31	1.05	1.18
Idaho Power .....	Year Dec. 31	2.74	2.92
Illinois Central R. R. System .....	Year Dec. 31	4.67	7.79
Lahey Foundry & Machine .....	Year Oct. 31	.44	.72
Southern Pacific Transp. Sys. ....	Year Dec. 31	6.81	9.48
Transue & Williams Steel Forging .....	Year Dec. 31	1.27	2.17
Vogt Manufacturing .....	Year Dec. 31	.88	1.04
Washington Gas Light .....	Year Dec. 31	1.41	2.10

# Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to three listed securities at reasonable intervals.
3. No inquiry will be answered which does not enclose stamped, self-addressed envelope.
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

## Are Stock Options To Management Justified?

I am a subscriber to the Magazine of Wall Street and I read with interest your article, "The Speculators Role in our Economy."

I agree with all you have said in this article but there is another thing I would like to have seen in it, which is "investor—or speculator—confidence in Corporate Management, for it is most difficult not to find sour notes in many of the annual statements.

I am thinking of one company now in which I have shares and at a low point an option to purchase 50,000 shares was given the president over a five-year period and which he exercised later and which netted him over three quarters of a million dollars and this is a company which has been marginal during the last few years and this amount which might really be called a bonus, taken with the amounts paid to officers of the company, just about amounted to the net income of the company for the year.

It would seem in many cases that when an officer secures a proxy he feels responsibility only to himself and this attitude should be overcome, for investor or speculator is usually willing to take a chance on the things outside management, but is helpless against inside workings.

Support for industry, both financial and moral, will be available only as long as there is confidence, for when and if the time comes an appeal to Government is necessary for protection, it is goodbye to private enterprise.

This letter is just a poll of one, but I can assure you there are many who would vote as I do.

A.C., Oklahoma City, Okla.

As an added incentive to management to exert its greatest efforts to achieve successful operations and the largest profit possible, option to purchase stock at lower than market level is justifi-

fied, provided it is within reasonable limits and may be considered remuneration for exceptional results attained above average, rather than additions to normal salary which would flow from ordinary results. Moreover, sufficient opportunity for an exceptional able executive to build up a personal fortune must equal possibilities he would have if he engaged in business for himself.

However, in some cases this privilege has been abused to the detriment of general stockholders. The issuance of additional stock at lower than market price dilutes earnings and equity.

Recently the president of Diana Stores Corporation, Mr. Harry Greenberg, advised directors of intent to allow warrants entitling him to purchase 80,000, 50c par common shares at \$1.75, to lapse upon expiration, February 1, 1947. The market value of the common stock at the time of his announcement was \$7.50 per share. This meant he relinquished an opportunity to make a profit on the stock of about \$460,000. According to Mr. Greenberg, he believes, "interests of both corporation and the stockholders best will be served by maintenance of prevailing equity value and by elimination of possible earnings dilution."

Stockholders must watch for new proposals to grant stock purchase warrants and oppose them when they appear excessive or not merited.

Management in some instances have issued options to themselves, not warranted by results, and they have profited greatly by a rising stock market generated by a period of general business prosperity.

A Cleveland court ruling in 1946 was favorable to stockholders in a suit to recover from the president of a corporation, who received a large bonus in addition to a large salary. The court stated that "corporations are operated primarily to make money for the stockholders and not for management."

## Consolidated Steel

I should be obliged (in connection with my subscription herewith) for any information and advice concerning the proposed sale of the fixed assets of Consolidated Steel Corp. to Columbia Steel Co. (a subsidiary of U. S. Steel) for the sum of \$8,293,319. I own 1,000 shares, on which I have large profits. However, I considered it an excellent source of income in view of its strong cash position, the demand for fabricated steel products and the strategic locations of the corporation's plants. Its net earnings in each of the last three or four years, (including the postwar year) have almost equaled the proposed sale price and it has paid out of profits a great deal more than that in the acquisition of various subsidiaries.

J.O., St. Petersburg, Fla.

We recommend retention of your substantial holdings of Consolidated Steel Corp. as the stock is selling well below estimated liquidating value.

Columbia Steel Co., a subsidiary of U. S. Steel Corp., has offered to buy the fixed assets of Consolidated Steel Corp. for \$8,293,319, subject to appropriate adjustment for fixed assets acquired or disposed of since August 31, 1946 and subject also

(Please turn to page 584)

# Keeping Abreast of Industrial and Company News

According to the Department of Commerce a decided uptrend in dividend disbursements became significant last fall, when industrial operations began to speed up all along the line. November total dividends amounted to \$158.2 million against \$136.5 million during November 1945, up 15.9%.

And from the same source comes word that new ventures in 1946 sprang up at a rate four times faster than reported failures or abandonments of business enterprises. For every thousand concerns in operation at the beginning of last year, 227 newcomers emerged upon the competitive arena.

As travel by air expands, a trend towards establishment of branch banks at airports has set in. Empire Trust Co. of New York started the ball rolling, later transferring its La Guardia Field branch to Manufacturers Trust Co. Now National Shawmut Bank of Boston is overtaxed with business in its branch at Logan Airport.

In the course of a Chicago address, Chairman Robert E. Wood of Sears Roebuck & Co., points out that while labor has been unjustly blamed for some inefficiencies, this is not the case in the building trades. Here, restrictions upon output, lack of modern tools and marked inefficiency are the direct cause of high construction costs.

Stockholder approval of the transfer of Graham-Paige automobile assets to Kaiser-Frazer Corporation, according to Chairman Joseph W. Frazer, clears the way to marked progress for both companies. By the deal, Graham-Paige will receive 750,000 shares of the larger concerns stock and its guaranty on \$8,524,000 outstanding bonds. Graham-Paige will retain its farm implement business.

With production of nylons approaching a rate of 30 million dozen pairs annually, Warren A. Beh, divisional sales director of E. I. du Pont de Nemours sees supply nearing a balance with demand within months. By 1948, when expansion plans are completed du Pont's capacity will be about triple that at the war end as to nylon.

A. W. Peake, president of Standard Oil Co. of Indiana, is confident that dollar sales of his industry this year should be appreciably higher than 1946 and that an expected increase of about 4% in demand will be fully met. Compared with 1941 demand should show a gain of over 25%.

A novel method to raise \$3 million for expansion plans has been employed by John A. Roebling's Sons Co., wire manufacturers. Forty years ago the company started to build 725 homes for its employees on a rental basis. The present occupants have now agreed to buy the entire village, while the sewers, street lights and four miles of streets have been deeded to the township by the company.

Growth of the canning industries served by American Can Co. has resulted in an over-all increase of approximately 25% in the demand for metal containers, the company reports, comparing 1947 with 1941.

Libbey-Owens-Ford Glass Company's bill for research to develop new products and to improve glass technology grew to half a million dollars last year, against \$300,000 a decade ago. Total outlays for this purpose during the period came to around \$5 million, equal to \$500 for each of the 10,000 employees.

Electronic temperature control systems designed by Minneapolis-Honeywell Regulator Co. are specified for 284 new passenger cars on order by the C & O, Nickle Plate and Pere Marquette railroads.

No "boom and bust" for three years yet is feared by the Building Industry, in the opinion of a representative of Johns-Manville Co., Mr. Lawrence C. Hart. With \$12 billion new construction scheduled for the current year and a probability that the figure will reach \$15 billion in 1948 and 1949, there is a fair basis for his optimism.

Increasing confidence in common shares as a conservative investment medium is shown by a rapidly developing trend to permit trustees to employ their funds in this manner. In ten States this has been accomplished by legislation and in 6 more by judicial decree.

Outlook for the Household Furnishing Industry is brightened for 1947 by estimates that six months or more will be required before the process of restocking dealers' shelves has been accomplished. And after then replacement orders are likely to be substantial.

Harvey S. Firestone, president of Firestone Tire & Rubber Co., foresees excellent business ahead for his concern during the current year, and this optimism applies to all divisions of this diversified enterprise. The company enters the new year with the strongest financial position in its long history.

The nation's railroads will spend in the first quarter of the current year far more than in the relative period of 1946 for road and equipment, with emphasis on the latter item. According to the Interstate Commerce Commission, rail outlays for equipment alone will total around \$175,600,000 in the current quarter and orders are piling in upon the Railroad Equipment Industry.

In a recent lecture by Dr. Bertil Ohlin of Sweden in New York, he pointed out that success in stabilizing his country's economy has become dependent upon creating favorable conditions for investment by private enterprise, without raising the price of labor, plus increasing public expenditures when needed to maintain full employment. Washington please take notice.

Hopes for a final step by the Chicago Transit Authority to raise \$100 million new money for its long drawn out reorganization of the city's street railways and elevated lines are enhanced by a strong group of prospective underwriters. Awaiting only a final report from their engineers, the bankers are readying to make concrete proposals.

Within a few months it is expected that the American Telephone and Telegraph Co. will be out with some \$200 million of new securities to finance its vast expansion program. And before the year has ended, it may come in the market for an additional half billion dollars. Consistent growth warrants the creation of these revenue producing outlays.

At a recent Senate Labor Committee hearing, C. E. Wilson, president of General Motors Corporation, claimed that last year's strike cost his employees more than \$200 millions in lost wages and the Government \$60 million in taxes. He declared that he would never sign a closed shop contract.

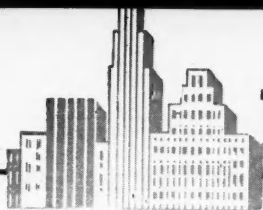
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# The BUSINESS ANALYST

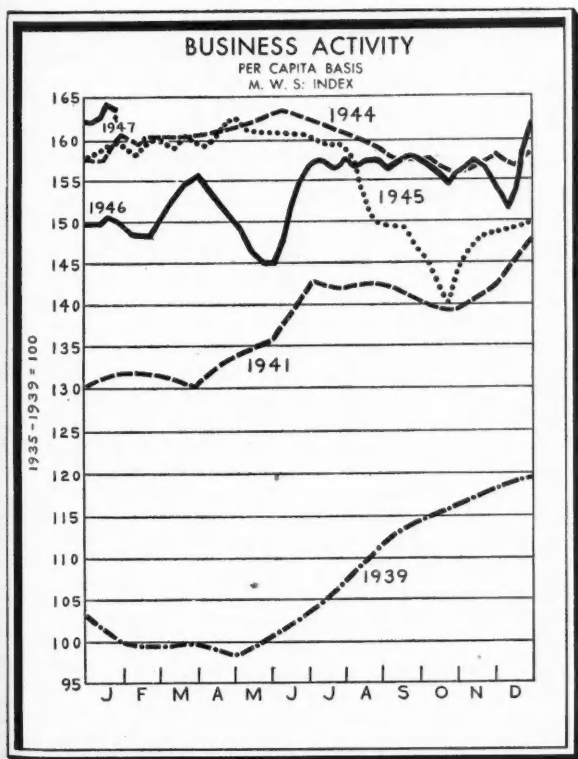
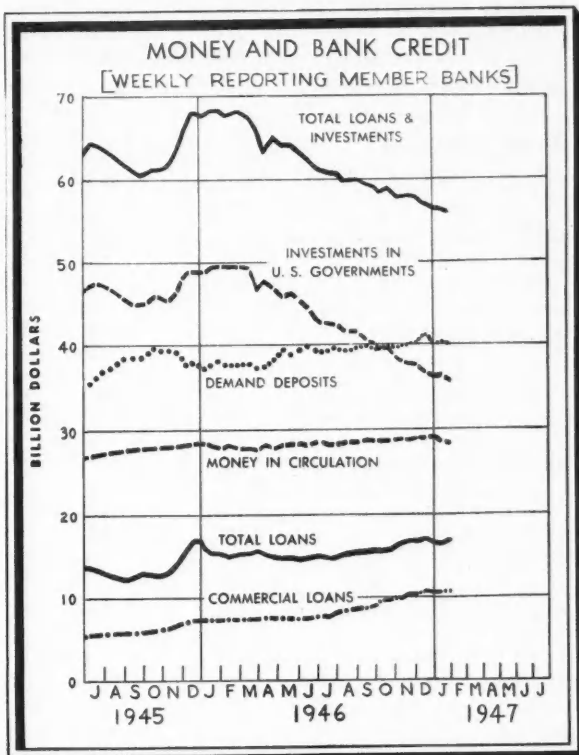
## SUMMARY

**MONEY AND CREDIT**—Based upon the President's budget estimate, government would absorb about 20% of the national gross product in fiscal 1948, compared with wartime average of 46%, New Deal average of 15% and pre-New Deal average of 11%. Foreign credits in current fiscal year will total \$10 billion—\$3.3 billion more than previous year. Investors cash government and other high grade securities to buy speculative issues on 75% margin.

**TRADE**—Department store sales in fortnight ended Jan. 25 were 17% above last year in value, but were off 6% in volume. New orders cut as inventories mount.

**INDUSTRY**—Physical volume of business activity rises more than 1% in fortnight ended Jan. 25 to a new all-time high—10% above last year. The gap between rising production and falling volume of purchases by consumers and government is being filled for the present by a record volume of capital formation. When this also begins to slacken, look out for trouble. "Capital formation," by the way, means new construction and equipment, inventory accumulation, and net exports.

**COMMODITIES**—Farm products prices strengthen under government buying of flour, wheat and corn for export. Industrial and household users will have more sugar this year.



\* \* \*

The Nation's physical volume of **Business Activity** expanded an additional 1% during the fortnight ended Jan. 25 to a new all-time high—10% above last year.

\* \* \*

**Department Store Sales** in the same fortnight were 17% above last year in volume; but were off more than 6% on a unit quantity basis, since **Retail Prices** now average about 25% higher than a year ago. With mounting inventories, stores are reducing new orders sharply; so that the total of merchandise in stock and on order as of November 30 was only 17% ahead of a year earlier in value, about the same increase as reported for sales. The significant point to be noted here is that, on a unit quantity basis, consumers are buying less and stores are ordering still less.

\* \* \*

Considerations of political expediency are dampening the ardor of Congress for revisions of our lop-sided **Labor Laws**. Present outlook is that little serious consideration will be given the matter until spring. The whole subject might be sidetracked indefinitely should labor adhere to its present policy of good behavior.

\* \* \*

As projected in the President's **Budget** message, government requirements (Federal, state and local) will absorb about 20% of the **National Gross Product** in

(Please turn to following page)

# Inflation Factors

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre- Pearl Harbor
<b>PRESENT POSITION AND OUTLOOK</b>					
(Continued from page 569)					
<b>MILITARY EXPENDITURE (†) \$b</b>	Jan. 29	1.79	0.37	2.29	0.43
Cumulative from Mid-1940.....	Jan. 29	350.3	348.5	328.2	14.3
<b>FEDERAL GROSS DEBT—\$b</b>	Jan. 29	259.5	258.4	278.3	55.2
<b>MONEY SUPPLY—\$b</b>					
Demand Deposits—101 Cities.....	Jan. 29	35.6	40.1	38.0	24.3
Currency in Circulation.....	Jan. 29	28.3	28.4	27.9	10.7
<b>BANK DEBITS—13-Week Ave.</b>					
New York City—\$b.....	Jan. 29	7.33	7.27	7.58	3.92
100 Other Cities—\$b.....	Jan. 29	9.61	9.58	8.44	5.57
<b>INCOME PAYMENTS—\$b (cd)</b>					
Salaries & Wages (cd).....	Nov.	14.25	14.67	13.08	8.11
Interest & Dividends (cd).....	Nov.	9.17	9.19	8.54	5.56
Farm Marketing Income (ag).....	Nov.	0.58	0.89	0.54	0.55
Includ'g Govt. Payments (ag).....	Nov.	3.08	3.34	2.28	1.21
	Nov.	3.09	3.35	2.32	1.28
<b>CIVILIAN EMPLOYMENT (cb) m</b>					
Agricultural Employment (cb).....	Dec.	56.3	57.0	51.2	52.6
Employees, Manufacturing (1b).....	Dec.	7.2	7.9	7.2	8.9
Employees, Government (1b).....	Dec.	15.0	15.0	13.1	13.8
	Dec.	5.4	5.3	4.9	4.6
<b>UNEMPLOYMENT (cb) m</b>	Dec.	2.1	1.9	2.0	3.4
<b>FACTORY EMPLOYMENT (1b4)</b>					
Durable Goods.....	Nov.	149	147	128	147
Non-Durable Goods.....	Nov.	172	169	144	175
	Nov.	131	129	116	123
<b>FACTORY PAYROLLS (1b4)</b>	Nov.	291	286	223	198
<b>FACTORY HOURS &amp; WAGES (1b)</b>					
Weekly Hours.....	Dec.	40.9	40.2	41.5	40.3
Hourly Wage (cents).....	Dec.	114.4	113.9	99.4	78.1
Weekly Wage (\$).....	Dec.	46.83	45.74	41.21	31.79
<b>PRICES—Wholesale (1b2)</b>					
Retail (cd1b).....	Jan. 25	140.3	140.8	106.8	92.2
	Nov.	170.9	167.2	142.2	116.2
<b>COST OF LIVING (1b3)</b>					
Food.....	Nov.	152	149	129	110.2
Clothing.....	Nov.	188	180	140	113.1
Rent.....	Nov.	169	167	149	113.8
	Nov.	109	109	108	107.8
<b>RETAIL TRADE \$b</b>					
Retail Store Sales (cd).....	Nov.	9.08	8.91	7.18	4.72
Durable Goods.....	Nov.	1.85	1.92	1.16	1.14
Non-Durable Goods.....	Nov.	7.23	6.99	6.02	3.58
Dep't Store Sales (mrh).....	Nov.	0.91	0.81	0.74	0.40
Retail Sales Credit, End Mo. (rb2).....	Nov.	4.22	3.86	2.64	5.46
<b>MANUFACTURERS'</b>					
New Orders (cd2)—Total.....	Nov.	233	227	183	181
Durable Goods.....	Nov.	258	249	171	221
Non-Durable Goods.....	Nov.	218	214	191	157
Shipments (cd2)—Total.....	Nov.	269	244	202	184
Durable Goods.....	Nov.	280	263	200	223
Non-Durable Goods.....	Nov.	262	231	204	158
<b>BUSINESS INVENTORIES, End Mo.</b>					
Total (cd)—\$b.....	Nov.	35.1	34.0	27.6	26.7
Manufacturers'.....	Nov.	19.9	19.6	16.6	15.2
Wholesalers'.....	Nov.	5.7	5.3	4.2	4.3
Retailers'.....	Nov.	9.5	9.1	6.8	7.2
Dept. Store Stocks (mrh).....	Nov.	2.2	2.1	1.4	1.4

fiscal 1947-8, contrasted with a maximum of 50% in 1943-4 and a low of 9% in the calendar year, 1920. During the "New Era" decade prior to 1929 the average was 11%; during the ensuing New Deal decade up to the outbreak of war in Europe the average was 15%; for the war years, 1939-45, governments' share rose to an average of 46%.

The New Deal assumption that Lavish Government Spending promotes prosperity is refuted by historical evidence to the contrary. In 1920, for example, government expenditures were only \$8 billion; but the public received \$79 billion worth of goods and services. Yet in 1938, when government spent \$14 billion, the public acquired only \$66 billion worth of goods and services.

Lavish government expenditures do promote employment; but Full Employment does not necessarily mean a high standard of living. The paradox is especially noticeable in war time, when production is diverted from consumer goods to war goods. Also in New Deal years, when leaf raking produced nothing that one could eat or wear.

The same principle applies to Government Loans Abroad to stimulate exports. Production of goods for export does promote employment here; but this does not add to the supply of food, clothing and shelter for our own use unless the money received for our exports is expended for imports. Unfortunately, the world must continue to suffer from Economic Bungling until politicians and their following assimilate the distinction between money wages and real wages.

Agriculture Secretary Anderson is reported to be toying with the idea of allowing Prices for Farm Products to seek their natural level under the free interplay of supply and demand, paying growers the difference between market price and 90% of parity. The story has it that he's going to try the plan with potatoes this coming season and, if it works, might adopt the procedure for agricultural staples next year. We don't vouch for the yarn; because, since it was published, the Agriculture Department has asked a reduction in acreage planted to Potatoes in 1947.

At any rate, Secretary Anderson has given birth to an idea that merits further examination. The program would be tantamount to a Guaranteed Income for the farmer regardless of prices his products bring in the open market. For many years the Government has been doing this for

# Production and Transportation

	Date	Latest W.L. or Month	Previous W.L. or Month	Year Ago	Pre- Pearl Harbor
<b>BUSINESS ACTIVITY—l—pc</b>					
(M. W. S.)—l—np	Jan. 25	163.9	164.2	150.2	141.8
	Jan. 25	179.3	179.5	162.9	146.5
<b>INDUSTRIAL PROD. (rb)—l—np</b>					
Mining	Dec.	179	182	163	174
Durable Goods, Mfr.	Dec.	136	136	133	133
Non-Durable Goods, Mfr.	Dec.	209	213	185	215
	Dec.	168	172	156	141
<b>CARLOADINGS—t—Total</b>					
Manufactures & Miscellaneous	Jan. 25	822	828	709	833
Mdse. L. C. L.	Jan. 25	368	372	290	379
Grain	Jan. 25	117	116	117	156
	Jan. 25	57	58	54	43
<b>ELEC. POWER Output (Kw.H.)m</b>					
	Jan. 25	4,856	4,857	4,034	3,267
<b>SOFT COAL, Prod. (st) m</b>					
Cumulative from Jan. 1	Jan. 25	13.1	13.3	12.5	10.8
Stocks, End Mo.	Jan. 25	46.9	33.8	45.5	44.6
	Dec.	47.1	52.4	45.7	61.8
<b>PETROLEUM—(bbls.) m</b>					
Crude Output, Daily	Jan. 25	4.7	4.6	4.6	4.1
Gasoline Stocks	Jan. 25	100	98	102	88
Fuel Oil Stocks	Jan. 25	49	51	36	94
Heating Oil Stocks	Jan. 25	50	53*	29	55
<b>LUMBER, Prod. (bd. ft.) m</b>					
Stocks, End Mo. (bd. ft.) b	Jan. 25	416	400	355	632
	Nov.	4.5	4.4	3.8	12.6
<b>STEEL INGOT PROD. (st.) m</b>					
Cumulative from Jan. 1	Dec.	5.70	6.41	6.06	6.96
	Dec.	66.4	60.6	79.7	74.7
<b>ENGINEERING CONSTRUCTION AWARDS (en) \$m</b>					
Cumulative from Jan. 1	Jan. 30	95	74	70	94
	Jan. 30	431	336	348	5,692
<b>MISCELLANEOUS</b>					
Paperboard, New Orders (st) t	Jan. 25	155	174	142	165
U. S. Newsprint Consumption (st) t	Dec.	404	399	317	352
Do., Stocks, End Mo.	Dec.	430	458	382	523
Wood Pulp Stocks, End Mo. (st) t	Nov.	76.6	72.4	68.7	98.5
Footwear Production (pairs) m	Oct.	47.2	41.7	42.2	34.8
Hide & Lthr. Stks., End Mo.(hds.)m	Oct.	7.4	7.6	9.5	14.0

## PRESENT POSITION AND OUTLOOK

gold and silver mine owners. Thus far it has worked out well in the case of **Gold**, for which world demand has been persistently greater than supply; but the case of **Silver** is different.

\* \* \*

After Congress boosted the purchase price of domestically mined **Silver** to 91 cents, the metal became so costly that most foreign nations have demonitized it and are melting their silver coins. A flood of foreign silver offerings here has since depressed the price to 70¾ cents, leaving Uncle Sam to hold the bag for domestic silver.

\* \* \*

Under a free economy, falling prices lead to rising demand and declining output. In the case of agricultural commodities, of which there is usually only one crop a year, curtailment of production is so long delayed that Prices swing over a much wider range than in the instance of industrial products the supply of which can be more promptly adjusted to demand.

\* \* \*

If farm income is guaranteed by price support and import duties or export subsidies, the public pays not only the subsidies but also the high cost of food and clothing. If prices are permitted to drift lower, paying farmers the difference, the cost of subsidies would be less and consumers would also save on food and clothing which bulk large in the family budget. Offsetting disadvantages are inventory losses resulting from falling prices and the fact that any form of subsidy must eventually lead to overproduction.

ag—Agriculture Dep't. b—Billions. cb—Census Bureau. cd—Commerce Dep't. cd2—Commerce Dep't. Avge. Month 1939—100. cdlb—Commerce Dep't. (1935-9—100), using Labor Bureau and other data. en—Engineering News-Record. l—Seasonably adjusted index. 1935-9—100. lb—Labor Bureau. lb2—Labor Bureau, 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100. lt—Long tons. m—Millions. mpt—At Mills, Publishers and in Transit. mrb—Magazine of Wall Street, using Federal Reserve Board data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, installment and Charge accounts. st—Short tons. t—Thousands. H—Treasury and Reconstruction Finance Corp.

## THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

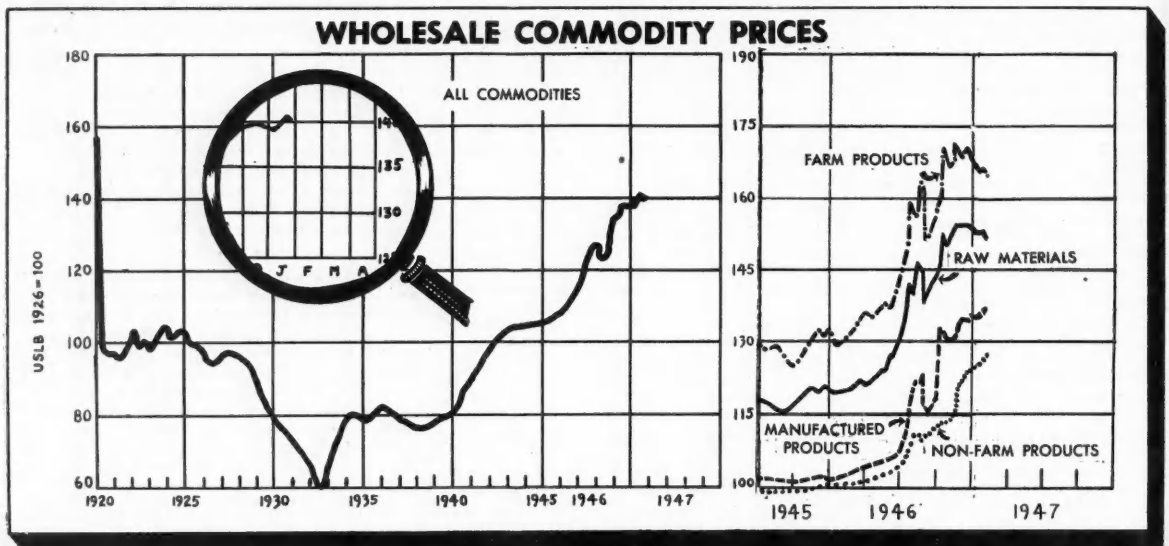
No. of Issues (1925 Close—100)	1947 Indexes	(Nov. 14, 1936, Cl.—100)	High	Low	Jan. 25	Feb. 1
304 COMBINED AVERAGE	High 144.2 Low 133.7 Jan. 25 136.8 Feb. 1 144.2	100 HIGH PRICED STOCKS..	87.77	84.15	84.40	87.77
4 Agricultural Implements	171.7 159.2 162.3 171.7	100 LOW PRICED STOCKS...	174.74	158.08	164.52	174.77
11 Aircraft (1927 Cl.—100)...	163.7 151.1 155.1 163.7	6 Investment Trusts	61.2	56.5	57.6	61.2
6 Air Lines (1934 Cl.—100)	596.5 545.7 545.7c 572.8	3 Liquor (1927 Cl.—100)....	933.6	778.5	839.3	844.9
6 Amusement	143.3 128.5 133.5 143.0	8 Machinery	155.4	143.1	146.2	155.4
14 Automobile Accessories	226.9 198.7 212.3 226.9	3 Mail Order	122.2	115.3	115.3b	121.2
11 Automobiles	39.9 34.7 37.7 39.9	3 Meat Packing	108.5	102.9	108.5	108.0
3 Baking (1926 Cl.—100)....	23.9 22.2 22.5 23.9	13 Metals, non-Ferrous	189.7	182.0	182.0	189.7
3 Business Machines	296.1 270.9 271.8 296.1	3 Paper	39.6	36.5	37.1	38.3
2 Bus Lines (1926 Cl.—100)	168.7 159.2 159.2 168.7	23 Petroleum	184.1	176.2	176.7	184.1
4 Chemicals	244.0 218.4 233.9 244.0	20 Public Utilities	132.0	123.2	127.3	132.0
2 Coal Mining	18.6 17.8 18.2 18.6	5 Radio (1927 Cl.—100)....	22.0	18.9	19.9	22.0
4 Communication	57.5 51.7 51.8 57.5	8 Railroad Equipment	78.8	69.6	71.4	78.8
13 Construction	65.1 60.7 61.5 65.1	23 Railroads	26.3	22.6	24.1	26.3
7 Containers	358.3 337.9 348.7 358.3	3 Realty	28.4	25.6	28.0	28.3
8 Copper & Brass	111.5 105.8 106.0 111.5	2 Shipbuilding	109.2	104.0	107.2	109.2
2 Dairy Products	69.7 59.0 59.0b 61.2	3 Soft Drinks	537.7	482.7	515.0	537.7
5 Department Stores	76.4 70.2 71.3 74.7	13 Steel & Iron	117.3	108.7	111.5	117.3
5 Drugs & Toilet Articles	223.2 206.2 206.2 212.6	3 Sugar	68.2	62.3	62.3	66.4
2 Finance Companies	251.9 242.5 242.5 251.9	2 Sulphur	246.5	240.8	246.5	246.5
7 Food Brands	188.5 180.3 180.3 185.7	3 Textiles	133.8	120.0	120.2	133.8
2 Food Stores	73.0 68.5 69.0 68.5b	3 Tires & Rubber	38.6	36.6	37.2	38.6
3 Furniture	93.1 84.2 85.2 93.1	6 Tobacco	87.4	84.2	85.1	87.4
3 Gold Mining	823.2 760.6 815.5 823.2	2 Variety Stores	336.4	310.2	326.0	336.4
		19 Unclass. (1946 Cl.—100)...	104.7	97.5	99.5	104.7

New LOW since: b—1945; c—1044.

## Trend of Commodities

Farm products prices, cash and futures, strengthened during the past fortnight—partly under the stimulus of stepped up buying for export by the Government, and partly in sympathy with a rising stock market. The M. W. S. Index of Spot Prices for Raw Materials made a new high for the year—fractionally under last year's high. Prices received by farmers during December averaged 28% higher than a year earlier. The Agriculture Department is still weighing the relative merits and drawbacks of various plans for sustaining farm income in the event of a price slide later. Among these are crop curtailment, stock piling, export subsidies and income guarantees. In the instance of potatoes, the Department has already ordered an acreage cut for the 1947 planting, and a reduction of 1,020,000 acres sown for spring

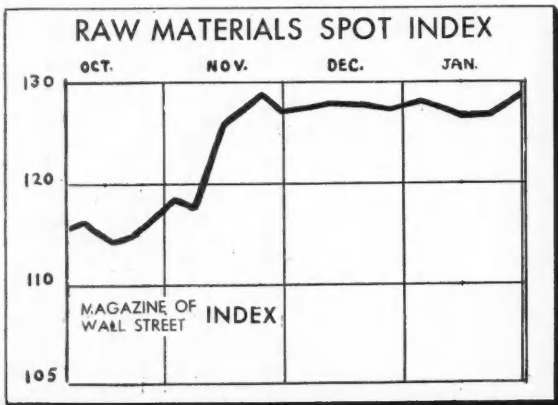
wheat. Secretary Anderson wants these surplus acres planted to flaxseed; but, as flaxseed growing is a risky business and the Government's guarantee is only \$6 a bushel against the current price of \$7.25, farmers may rebel. The Government has raised its flour purchase price by 12 to 15 cents a hundred pounds in order to obtain sufficient quantities to fill the February export quota of 28,800 long tons. Farm reserves of corn on Jan. 1 totaled 2,166 million bushels—300 million above a year ago. Brokers believe that supplies are ample, even if 100 million bushels can be exported. Domestic and export demand for cotton is running well ahead of last year, and stocks on hand at the end of 1946 were more than a third lower than a year earlier. By August they be lowest in two decades.



### U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES Spot Market Prices—August 1939, equal 100

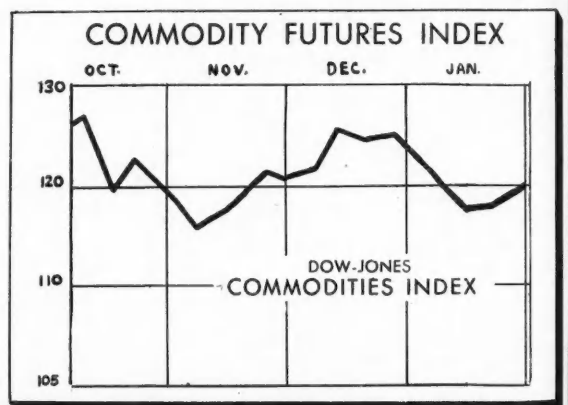
	Date 2 Wk.	1 Mo.	3 Mo.	6 Mo.	1 Yr.	Dec. 6
	Feb. 1	Aug. 1	Aug. 1	Aug. 1	Aug. 1	1941
28 Basic Commodities .....	305.6	301.8	303.7	262.1	248.6	187.4 156.9
11 Import Commodities .....	286.3	285.0	289.3	253.0	230.7	168.9 157.5
17 Domestic Commodities .....	318.8	313.2	313.2	268.1	261.0	200.5 156.6

	Date 2 Wk.	1 Mo.	3 Mo.	6 Mo.	1 Yr.	Dec. 6
	Feb. 1	Aug. 1	Aug. 1	Aug. 1	Aug. 1	1941
7 Domestic Agriculture .....	306.6	302.6	303.7	302.5	310.5	234.7 163.9
12 Foodstuffs .....	364.2	361.2	361.5	332.9	313.5	213.3 169.2
16 Raw Industrials .....	267.7	263.5	266.3	218.8	208.7	169.9 148.2



#### 14 Raw Materials, 1923-5 Average equals 100

	Aug. 26, 1939—63.0	Dec. 6, 1941—85.0	1947	1946	1945	1943	1941	1939	1938	1937
High .....	128.5	128.8	95.8	92.9	85.7	78.3	65.8	93.8		
Low .....	126.4	95.8	93.6	89.3	74.3	61.6	57.5	64.7		



#### Average 1924-26 equals 100

	1947	1946	1945	1943	1941	1939	1938	1937
High .....	121.73	127.07	106.41	96.57	84.60	64.67	54.95	82.44
Low .....	117.14	104.21	93.90	88.45	55.45	46.59	45.03	52.03

## Opportunities for Income and Price Appreciation

(Continued from page 563)

\$18.64 per share, leaving the final quarter still to be accounted for. The outlook for 1947 is perhaps brighter than for many years past because of the growing pressure upon the railway equipment manufacturers for rolling stock of every class. If the proposed program to step up production of freight cars alone in the current year through the aid of Federal priorities for raw materials becomes realistic, General Steel Castings should be an important beneficiary. In any event, barring labor troubles, 1947 earnings should compare favorably with those of last year or perhaps better them, and granted a fair break, the company perhaps faces several years of satisfactory prosperity for the first time during a peace period. Capitalization senior to the issue under discussion consists of only \$5.9 million of 3% serial bonds with a final maturity in 1953. As the sponsors of the company have long struggled with an unproductive and substantial investment junior to the preferred, it would be natural if they took every possible step to clear away the barrier of preferred arrears eventually, either by the route of improved earnings or by some compromise through recapitalization in some form. The price advance for the shares from a 1946 low of 101 to recent levels around 125 suggests that speculative opinion has followed this hopeful line of reasoning rather wholeheartedly.

### 1947 Outlook for Machinery Companies

(Continued from page 554)

of the machines. At the end of 1946 about \$639,000,000 worth remained to be sold (at cut prices) as "surplus", but a large additional amount may still remain to be disposed of through eventual listing as "surplus", after war contractors and other

priority buyers have taken their choice.

Fortunately, the machine tool business is not typical of other branches of the machinery industry, which are expected to remain prosperous for at least another year or so. Last year the industry was handicapped by the general difficulties of obtaining needed shipments of parts and materials, labor and transportation bottlenecks, O.P.A. price controls, etc. These difficulties were partially offset by tax relief and other savings (including carrybacks and reserve credits). Partial price decontrol was followed in November by lifting of all restrictions. But, many companies with heavy reconversion programs encountered deficits for the first half of 1946, and results for the calendar year are likely to prove irregular, particularly for those companies with fiscal years ending before December 31st. On the other hand some companies whose readjustments were minor, such as Black & Decker and Wayne Pump, made a good showing. Where interim reports have been available it has been easier to trace the transition from red ink to black during 1946; in some cases the trend of dividend payments told the story.

The machinery companies generally (outside the machine tool field) have excellent order backlogs. Some of the lines which are in heavy demand are mechanical presses, construction, mining, food packaging, shoe machinery, laundry equipment and dry cleaning machinery, oil-field equipment, diesel engines, portable electric and pneumatic tools, etc. With labor conditions considerably improved over last year strikes and other interruptions are less likely to interfere with profit margins. While commodity price declines may to some extent have the same effect as the old O.P.A. regulations, nevertheless the industry will have a more flexible and efficient basis for operations. The only threat lies in the possible decline in general business—thus far not in evidence—which might result in some cancellations and deferment of new orders.

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January 30, 1947

The old phase "nature abhors a vacuum" might well be paraphrased to read "business always rushes to fill a vacuum". So long as the deferred demand for new construction, inventories of durable goods, etc., remains unsatisfied, the machinery industry should continue to prosper, subject to minor irregularities or delays. And it should take some three to five years, it is estimated, to fill up this vacuum. Some phases of the machinery industry may meet this goal sooner than others, for technical reasons. The segment of the industry catering to the steel companies, (Mesta, United Engineering, etc.) may have to wait for much of their business until the steel industry can afford to slow down a little: rebuilding is difficult with steel operations at 90-100%.

With all the cross-currents in the industry during 1946 — as well as the 1947 difficulties of the machine tool companies — it is difficult to generalize about profits. Results for 1946 were highly mixed not only for the whole list of companies, but for the indi-

vidual company at different times. In many cases these results must be discounted and attention focused on the 1947-8 outlook for each segment of the industry. Considerable attention should be paid to the balance-sheet position revealed in 1946 reports as they become available. Some companies traditionally maintain a strong cash position, hence are able to maintain dividend payments in good years and bad — though payments may vary somewhat. Other companies are less conservative, and might be caught with high inventories, bank loans and depleted cash — in which case a temporary decline in business might eliminate dividends and result in stock declines. Tool companies' working capital per share, in relation to market prices of the stock, will furnish interesting figures to watch, since they will afford some measure of protection against the indicated dip in earnings due to Government sales.

A record goal of \$5 billion has been set for industrial supply and machinery sales in 1947, according to a representative of over

600 companies which have been cooperating in a nation-wide survey of the business. Much of this demand will represent increased foreign business.

Two sections of the machinery industry which should have a big future are packaging machinery and vending machines. The packaging machinery industry enjoyed a record volume of sales in 1946, and 1947 is expected to be even better. During the war some automatic packaging and wrapping machines had to work 24 hours a day in order to supply war needs, in addition to usual domestic requirements. Many of these machines are worn out and this has resulted in a big backlog of replacement business. Moreover, packaging is becoming an increasingly important factor in sales psychology. Packages must be low-cost but, nevertheless, have eye appeal. Also, there are a number of new lines to be packaged, such as frozen foods.

Another department of the industry which should continue to prosper is food processing machinery, due to bumper crops. Among the manufacturers in this field are Link Belt, Ex-Cell-O, Fairbanks Morse, Food Machinery Corp., Dresser Industries, Cherry Burrell, National Supply and others. Some of these companies turn out packaging and processing machinery and others manufacture the heavier equipment used by food processors and bottling firms.

It is obvious that relatively few of the machinery stocks have sufficient earning stability and balance-sheet strength to deserve any investment rating. Among these may be mentioned United Shoe Machinery, Caterpillar Tractor, Ingersoll Rand, Link Belt, American Machine & Foundry, Fairbanks Morse, and possibly L. S. Starrett. Most of the remaining companies, due to the nature of the industry and the failure or inability to maintain a good cash backlog, have highly erratic earnings and a still more erratic stock price record. Under these conditions, investments in the group should be confined to stocks of the type mentioned above, while speculative pur-

chases should be on a diversified basis when the market article in *The Magazine of Wall Street* is bullish, and with the choice confined to companies which appear to have the best near-term outlook. The past record of earnings and dividends isn't always too helpful—a study of capital leverage and previous price swings is also highly essential in attempting to forecast how the stock will respond to any favorable news which may be forthcoming, such as good interim earnings or increased dividends.

### Interim Study on Status of European Re-construction

(Continued from page 545)

taken place in the Netherlands and in France. The latter country's unfavorable balance of trade in the fourth quarter was less than half of what it was one year ago. The striking expansion of Danish imports in the second half of 1946 explains why the Danes not only exhausted their credits and balances in London, but ran a considerable debt in sterling. The Norwegian and Swedish trade figures indicate that the chief re-stocking with industrial raw materials and foodstuffs took place in 1945 and early in 1946. The exports of both countries are now somewhat in line with their imports. The high level of Swiss exports and imports may be explained partly by the fact that the country has developed a large entrepot trade.

The Czech and Finnish trade figures are in a class by themselves. The Czechs who failed to obtain large credits abroad have been forced to pay currently for their imports with their exports. The high level of Finnish exports is influenced by the reparation deliveries to Russia. The Finns are anxious to repay their obligation in order to free themselves from Russian control as soon as possible.

Presumably there is nothing wrong with the business morale in Sweden, Denmark, Norway, Switzerland, Portugal, and perhaps even in Belgium. The

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rapidly expanding local and foreign trade of these countries attests to that. But the situation is quite different in France, the Netherlands, Italy, Germany, and, of course, in Central and Eastern European countries: Czechoslovakia, Hungary, Rumania and Finland. In all these, the heavy hand of bureaucracy, nationalization, excessive taxation or reparations, black mar-

kets, and lack of confidence in the local currency have all but undermined the average businessman's desire to stay in business, let alone to expand it by investing more money. Instead, businessmen and, for that matter, all people with money have tried to protect themselves by either sending their capital abroad or by investing in gold.

American direct investments

on the Continent of Europe were valued before the war at about \$250 to \$400 millions. Their restitution in Rumania, Hungary, Bulgaria and Italy is covered by the peace treaties. Two-thirds of the value of the destroyed property is to be paid by the respective countries and the remaining third will probably be made up by the U. S. Government when the assets of the Axis nationals are liquidated. Poland and Czechoslovakia declared themselves ready—not without pressure from the State Department to recompense the American owners of the nationalized properties. The Russians are said to have returned some of the American machinery seized in Germany, Austria, Hungary, and Rumania, previously seized from the Germans as war booty, because they were unable to operate it. But the bulk of it will probably be kept by them without any compensation. It is expected that the Tito Government in Yugoslavia will eventually also come across with some compensation for the nationalized properties, but the working out of an agreement is likely to take a long time.

### Significant Corporate Statements

(Continued from page 547)

horizon is a portal to portal suit for a substantial sum such as is bothering many other large industrial concerns.

The report of Endicott Johnson Corporation, a leading shoe manufacturer, for its fiscal year ended November 30, 1946, indicates successful progress despite a good many barriers which had to be surmounted. Sales of \$105 million showed a 3.71% gain over 1945, while net per share equalled \$5.15 for the first time in many years. Had it not been for a serious shortage of leather, this concern might have made an even better showing than it did, for all during the year demand for shoes was of record proportions. Working capital shows an expansion of about \$4.5 million during last year and while inventories in-

creased about \$1.6 million receivables gained by \$3.2 million at the same time. From consolidated net profits for the year of \$3.7 million was deducted a reserve for contingencies amounting to \$1.35 million, attesting to the company's conservative accounting policies.

### Outlook for Office Equipment

(Continued from page 557)

tinged with realism.

While it is true that over the longer term this industry, as previously stated, is broadly affected by cyclical changes, the generalization loses force as applied to a number of its strongest specialists. Burroughs Adding Machine Co., for instance, has never failed to pay a dividend in over half a century, and International Business Machines has enjoyed an outstanding record for stability. Many other concerns, also, could be cited with long term performance entitling them to high investment esteem, aside from occasional dividend lapses in major depressions. Two reasons account in large part for the steady earnings record of some concerns in this field: (1) substantial revenues received from equipment rented rather than sold; (2) increasing income from service charges as product use expands, as well as sales of parts. Tel-autograph, Pitney Bowes and International Business Machines, for example, do a large scale business in rentals, while Burroughs now has more than two million of its machines scattered throughout the world, dependent upon this one supplier for parts and expert servicing.

Given an adequate supply of raw materials in 1947 and with OPA no longer sitting on the price lid, profit margins of the more important concerns in the field should widen substantially. The industry prewar volume of around \$200 million should easily be doubled in the current year unless something very unexpected occurs.

Because of patent barriers and

variations in technical ability, there are relatively few competitors in the office appliance industry. For example, only five important concerns make typewriters, three of which go in for diversification with other kinds of equipment. The list of cash register manufacturers is limited to about five, also. All in all, of some 40 major contenders in the entire field, about 75% concentrate upon a single specialty of some kind, mostly based upon a particular patent support. Remington Rand makes no less than seven varieties of office devices, including typewriters, cash registers, bookkeeping machines, calculating devices, tabulators, addressing and mailing equipment and office furniture. Both Burroughs and National Cash register have at least four main specialties to provide diversification. International Business Machines is the dominant factor in the manufacture of electrically operated typewriters, bookkeeping, tabulating and statistical devices, the majority of which are disposed of on a lease basis. Large foreign investments by this latter concern, incidentally, were written down to \$1 by creation of a reserve account of over \$14 million, although its French plant was undamaged.

The leading maker of equipment for metered mail systems is Pitney-Bowes Postage Meter, with the Post Office a large buyer of its stamp cancelling machines, postmark printers and stamp vending machines. During the last decade earnings and dividends of this concern have been exceptionally stable and are likely to continue so. As for typewriters, Underwood Corporation and Royal rank among the top three; the former concern derives about half of its revenues from sales of accounting machines, typewriter ribbons and carbon paper. While the typewriter manufacturers were granted two price increases by OPA last summer and decontrols became effective in November, machinery costs have risen more than 50% since 1941, so that present prices do not yet take up the lag. With ample volume, however, net

earnings should none the less become expressive on the up side in 1947, with good chances that extra dividends may be declared here and there by the time the year ends. This same hopeful potential applies to strong concerns in all branches of the industry under discussion.

To a considerable extent share prices for leaders in the office appliance industry have rather well discounted the encouraging aspects of the near term. From the appended table it will be noted that yields now obtainable hold only a minor appeal in most cases, and with few exceptions high price earnings ratios invite caution.

## Profits vs. Wages in Steel Industry

(Continued from page 549)

a trend rouses hope of an eventual compromise on terms which will permit the steel companies to absorb any increase granted in wage scales.

The recent adjustment of wage and job inequities whereby substantial sums in back pay are to be distributed to steel workers is another development that should tend to promote peaceful settlements of current conversations. The changes are expected to result in greater efficiency although they account for some upward adjustments in costs.

Moreover, in the wage negotiations questions of greater productivity are being raised. Managements have under consideration long-range programs for plant modernization aimed at obtaining lower unit costs. Substantial progress was made in this direction during the war when armament needs were paramount, but much remains to be done in older plants. The end result promises to be a noticeable decline in the break-even point which has loomed as the industry's principal threat to profits.

Wage increases granted during the war boosted the break-even point in United States Steel, and probably in other major organizations, to about 75 per cent. That is to say, unless production

were kept up to 75 per cent of capacity or higher, costs would absorb all gross receipts, according to economists. Before the war, it was generally believed that efficiently managed plants had lowered the break-even point to as low as 45 or 50 per cent. Progress has been made in the last year, however, in achieving better worker productivity. Analysis of statistics covering recent operations suggest that the break-even point in the industry's efficient plants has been lowered more than casual observance would deem possible. It is evident that management still is not satisfied and is striving for better results.

Meantime, indications are that wage costs may not be greatly raised before the middle of the second quarter. This would point to especially favorable earnings in the steel industry for the first half of the year. Profits in the fourth quarter last year were more than satisfactory from the stockholder's viewpoint and results for the current three months should be substantially better. Even if higher fuel costs and increased selling expenses should reduce margins in the last half, it would be reasonable to look for earnings on United States Steel for the current year of \$10 to \$12 a share and Bethlehem might reasonably be expected to report profits averaging \$4 a share

quarterly or better. Other leading producers should be able to do as well proportionally.

Higher wages have spurred the search for compensating economics in steel making. Bethlehem is experimenting in the use of oxygen in making steel and has under construction a new \$3 million plant where the new process will be studied. Most producers are concentrating on lines affording widest profits and on development of new products. Production of semi-finished goods in larger volume is being attempted to obtain better margins that come from higher priced items. American Rolling Mill, for example, is stressing porcelain-enamel sheets for household appliance manufacturers, zincgrip galvanized products for farm buildings, galvanized corrugated pipe for drainage projects and specially prepared steel sheets for industrial buildings.

The sellers' market for steel, which has enabled producers to improve operating results, appears destined to continue for some time. The favorable outlook is based on the fact that major steel consuming industries seem destined to expand requirements in the coming months. Principal users of steel include: the automotive industry, which can scarcely hope to fill all potential orders for a year or

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longer; the railroad equipment industry, which has been asked to produce at least 100,000 freight cars this year; general construction and building, which has a substantial deferred demand to fill when conditions permit; and the large steel fabricating trade, which makes wire, bolts, rivets, forgings, nails, etc., supplies of which were depleted during the war.

Production has been running lately at the highest level since the end of the war at about 93 per cent of capacity. Weekly output of about 1.6 million tons of steel ingots represents an annual rate of about 85 million net

tons. This production, if accomplished, would establish a peacetime record topping 66.2 million tons of 1929 and approaching the wartime peak of 89.6 million tons of 1945.

While demand continues strong, mills are raising prices on products which previously had been manufactured on a competitive basis for small profits in order to maintain volume. Little effort is made to expand production of lines that are not readily marketable. Moreover, in distribution plans, shipments are concentrated as near production as possible to reduce freight costs. Customers situated at a distance are requested to place orders with steel mills near at hand. Hence, companies strategically situated in relation to principal customers have an advantage in shipping costs.

Typical steel producers strengthened finances last year and appear well situated to continue this trend. U. S. Steel, as an example, reduced long-term debt by about \$5 million last year and lifted net current assets almost \$30 million. American Rolling Mill retired half of its outstanding preferred stock last year and, if the conversion privilege is extended, there would seem to be reasonably good prospects of inducing holders to exchange the senior stock for common some time in the next year or two. With the substantial reduction in debt that has taken place, most steel companies are in position to increase dividend rates this year.

Like other representatives of cyclical industries, steel shares rarely sell on high price-earnings ratio. Except in isolated instances, they lack investment qualities. Wide price swings which characterize stock movements appeal rather to speculators interested in capital gains. Nevertheless managements of some of the larger factors in the industry have shown evidence in recent years of endeavoring to overcome investment defects. It may be noted, for example, that during the war earnings were devoted to debt reduction instead of to excessive dividends. Leading producers sought rather to estab-

lish dividends on a stable basis—\$6 annually in the case of Bethlehem and \$4 for U. S. Steel—with the thought of maintaining such rates for as long periods as possible.

Attainment of higher investment ratings is one of the reasons stimulating managements to bring down the break-even point to a level that would permit modest dividends even in times of reduced operations. Progress in this direction promises to be a factor in gaining more liberal market appraisals for popular steel shares.

## Changing Status of Oil Stocks

(Continued from page 551)

types. Many of us recall that supplies were scarce during the war and that we were urged to change furnaces over to coal, but now oil has returned from the war and is ready for the building boom.

There is widespread switching to Diesel locomotives on the part of the railroads; moreover, heavy trucks and machinery use these fuels in increasing quantities. The rise in stocks of residual fuel oil has been only half that of distillates. Greater civilian demand for residual fuel oil for use in industrial machinery is evident. Manufacturing activity continues high and goes a long way toward offsetting the decreased wartime demand of the navy and merchant marine. Additionally, stocks of crude oil have increased only slightly in the past year.

## Long-term Trends Are Favorable

Probably not enough emphasis has been placed upon the long-term peacetime increase in oil production and consumption. While the increase in each category was roughly 40 per cent in the six years between 1938 and 1944 brought about largely by the war, there was also an increase of about 40 per cent in the six years 1933 to 1939. True, the latter period represented recovery from a depression, but 1933 was by no means the depth of the depression; as reflected in oil statistics,

1932 was the low point by a good margin. Moreover, until the end of the war, there obviously was a "depression" in consumption of oil for civilian purposes. In each six-year period, improvement in inventory position of the industry was recorded, with marked improvement in 1944 (and also 1945) over 1938 through reductions in the combined stocks of crude oil and refined products. The low level of stocks at the end of the war is another reason for not being concerned about the increase in refined products stocks in 1946. It was necessary to accumulate these supplies in order to adequately serve the widespread demands of peacetime operations.

#### Comment On Middle East Oil

Readers of "The Magazine of Wall Street" are well informed upon the Middle East oil situation. Fortunately these readers could consider themselves advantageously-placed to interpret the publicity in recent months upon tremendous deals transpiring between the world's largest oil companies. Standard Oil Co. (N. J.), largest American company, and Socony-Vacuum Oil Co., Inc. have dipped their fingers into three pies, Iraq Petroleum Co., Ltd. (23.75% interest jointly held for many years) which plans to double its pipe line capacity; Arabian American Oil Co. (proposed that Jersey buy 30% and Socony, 10% of Texas Co.'s and Standard Oil Co. of California's joint ownership) which has considered for a year that a pipe line from Arabia to the Mediterranean Sea is sound economically; and a proposed oil-purchase agreement with Anglo-Iranian Oil Co., Ltd. These are long-term propositions that will result in building equipment that will furnish Europe with crude oil and finished products as well as possibly supplementing our own supply with oil shipped to these shores from Arabia. Producers here should see demand so great a few years hence that foreign oil would not be unwelcome. Review of merely the names of the companies demonstrates that Middle

East oil is in strong hands which will militate against cut-throat price reductions; at least, they should not originate in foreign sources. A similar situation is found in studying the producers in the northern tier of South America. Competition, with tariffs considered, has been felt from that source for many years. Texas Co. and Standard Oil Co. of Cal. are likely to be early concrete beneficiaries through rather large additions to cash, although further advances to Arabian American would prevent payments of additional dividends to their shareholders from this source for the present. However, over the long-term values of these equities are being enhanced.

#### Reserves Continue Adequate

Proven oil reserves in the United States increased about 1¼ per cent last year to an estimated quantity of 21,345,138,000 barrels on January 1, 1947, despite production withdrawal that exceeded in 1946 the highest for any wartime year. Estimates of production and reserves, published early each year by "The Oil and Gas Journal", have in past years proved to be very close to reserve and production finally determined.

#### Oil Shares Attractive

During 1946, production and refinery runs exceeded 4,600,000 barrels daily except for brief periods in the early part of the year when demands was only slightly below that level. Despite the problems of last year such as strikes and shortages of materials, industry, transportation, heating units and the multifarious consumers required oil products to maintain their demands at a consistently high level. The latest Bureau of Mines Estimate for 1947 is that demand for petroleum products in the United States will increase 4.3 per cent over that of 1946. This estimate doubtless takes all factors into consideration, including the very interesting one that motor cars are rolling from assembly lines in increasing numbers. Most recent trends indicate that industrial

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peace might prevail which would allow high production levels and call for more oil to run the machines and turn the wheels of in-

dustry. The financial conditions of the established oil concerns leave little to be desired from the standpoint of strength.

## Varying Prospect of Electrical Equipments

(Continued from page 560)

Production of refrigerators and washing machines has reached a volume where consumer interest seems less active than eighteen months ago. Undoubtedly the public appetite for new appliances of this type has been dulled by unexpectedly large price increases.

Demand for fractional horsepower motors apparently has reached an unprecedented volume. These small appliances are used to electrify household equipment such as refrigerators, vacuum cleaners, etc. as well as office machines such as bookkeeping and calculating appliances. Several companies supply these motors for appliance manufacturers in large volume and with a satisfactory flow of raw materials, their earnings should compare favorably with pre-war experience.

In heavy electrical products used primarily in the public utility field, demand seems likely to be sustained for several years.

Obviously price competition is relatively unimportant in this division. Engineering and research as well as other intangible factors are as effective in stimulating business as price. In view of the fact that the public utility industry has been hampered for several years in modernizing its equipment, it seems reasonable to expect demand for generators and turbines to continue active for three to five years. This division is especially important for large concerns such as General Electric and Westinghouse as well as for smaller companies which make machinery components such as switches and controls.

Other sources of demand for heavy electrical equipment include railroads which have adopted programs for increased use of diesel-electric equipment. Expansion of television and FM radio broadcasting facilities promises to take substantial amounts of special equipment.

The trend of earnings this year seems less likely to be uniform for representative companies in this industry than in the automobile and accessory groups, for example. In the event that industrial purchasing power should begin to recede moderately, experience would indicate that motor cars would be regarded as more essential than household appliances. Hence consumer demand for electrical goods might feel the effect of household economies sooner than some other industries.

Manufacturers of heavy power equipment such as General Electric and Westinghouse seem better assured of improvement in earnings this year than those concerns which must rely on household appliances or on other electrical products in which competition is aggressive. The two big factors in the industry were seriously handicapped last year by labor troubles and there is room for wide improvement this year in worker efficiency. It is well known that profit margins benefit quickly from high production volume and with a more satisfactory flow of raw materials

as well as greater reliance on automatic equipment, it seems reasonable to look for steadily improving profit margins as these companies enlarge output.

As an offset to economies in production, raw materials continue to advance in price. Steel and non-ferrous metals have risen sharply since decontrol of prices. Manufacturers recognize the fact that advances ranging up to 100 per cent or more tend to restrict potential markets for household appliances. Consequently, it is likely to be the policy of most large companies to absorb rising material costs as much as possible in order to avoid further advances in selling prices. There are some indications that the peak may have been reached in essential materials such as textiles, rubber, plastics and metals. Copper prices may remain relatively firmer than most other commodities in view of the fact that supplies of this metal continue scarce.

Relaxation in credit restrictions on sales of consumer goods undoubtedly would be helpful in stimulating sales. The high down-payment necessitated by current regulations tends to handicap families in the low income category whose buying habits are influenced not so much by original selling price as by weekly installment payments. Washington observers anticipate eventual removal of all Federal Reserve control over consumer credit so that the outlook for installment sales of household appliances later in the year is promising.

Shares of electrical equipment manufacturers normally are appraised on a relatively high price-earnings basis. Those concerns engaged in producing a diversified line of products used in residential construction as well as in industry and in utilities have a record of stability that warrants better-than-average investment appeal. The adverse effects of fluctuating consumer purchasing power and price competition customarily are felt more by the small manufacturer of specialties than by the large companies.



Dividend Notice

February 7, 1947

### BURLINGTON MILLS CORPORATION

The Board of Directors of this Corporation has declared the following regular dividends on the preferred stock and also the 40th consecutive regular dividend on the common:

- 4% CUMULATIVE PREFERRED STOCK  
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- 3½% CUMULATIVE PREFERRED STOCK  
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- 3½% CONVERTIBLE SECOND PREFERRED STOCK  
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Each dividend is payable March 1, 1947, to Stockholders of record at the close of business February 14, 1947.

STEPHEN L. UPSON, Secretary

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## Weighing Potentials In . . . Farm Equipments

(Continued from page 559)

trouble spots in 1947? President John L. McCaffrey of International Harvester Company states them briefly in his comment accompanying release of the 1946 annual report on January 27: "The ultimate results of 1947 operations will depend largely on the availability of materials, and of course, on labor relations. Our facilities will make possible greatly increased output if materials are steadily available to sustain production and if work stoppages can be avoided". Mr. McCaffrey continues, "Further wage increases must inevitably raise the question of further price increases."

On this latter point there has been some concern in the industry because while demand for farm machinery and implements will continue very high, anyone who has ever sold to the farmer knows that he has rather positive ideas as to what he is willing to pay. Large wage increases which would bring any considerable increase over present prices might bring the industry close to the danger point of customer buying resistance.

In 1946, the producers of farm equipment were plagued by protracted labor strife. Allis Chalmers, in particular, suffered badly which contributed to the deficit of \$6.96 a share in the first nine months of 1946—the least satisfactory record shown in the accompanying table. J. I. Case and Oliver Corporation also felt adverse repercussions of strikes. Deere & Company, in issuing their annual report on January 30, declare that no major strikes have occurred in any of their plants since January 1946 and that total salaries and wages in 1946 jumped to \$46,194,870 compared with \$41,663,036 in the previous year. International Harvester points out that in 1946 wage rates were raised substantially. Average straight-time hourly earnings were the highest in company his-

tory—59% above the average of January 1941.

While it would be too optimistic to expect no labor controversies for the farm equipment companies in the coming year, it is our measured opinion that losses from work stoppages should be considerably less. With the probability of labor legislation in the 80th Congress and with the greater willingness to arbitrate and to consider the public interest displayed by unions recently, we may be entering a period of greater labor-management teamwork. In this connection, the settlement reached in the current negotiations between U. S. Steel and the United Steel Workers Union will be of greatest significance.

Mention of steel brings us to another problem which restricted 1946 operations, namely the shortages of steel and castings. In the third quarter the government granted priorities which helped to open the pipe lines of these critical supplies and thereby greatly helped production. 1947 should see a considerable improvement in the flow of materials needed to produce the farmer's tools.

In considering the earnings figures given in the accompanying table for leading companies in this field it must be remembered that tax carryback credits were helpful in bolstering the final income reported by Deere, International Harvester and Minneapolis Moline. They enabled Allis Chalmers and J. I. Case to offset operating losses. Oliver Corporation had no previous liability for excess profits taxes and so got no tax refund benefits. Reduced taxes also helped F. E. Myers to just top 1945 per share earnings.

To sum up, the outlook for the farm machinery field is promising from the viewpoint of substantial sales, good earnings, less labor trouble and greater supplies of needed materials. The market action of this group, shown in the accompanying chart, has been unimpressive during 1946 but the group may be able to get out of the laggard category in the coming months.

## Balance Between Deflation and Inflation?

(Continued from page 534)

the deflationary process, so are there other factors that will work in the opposite direction. They tend to offset each other, to strike a balance between the extremes.

It is fortunate, indeed, that awareness of our inflated position has spread and that it is receiving serious attention at a time when there are still powerful supporting elements beneath our business structure. These elements, acting as definite bars to major deflation, are the still greatly expanded money supply, the unprecedented accumulation of savings, however uneven their distribution; the still huge unsatisfied demands for our goods both here and abroad; the absence of any credit strain; the long term need for capital investment. While these supporting elements may temporarily act with diminished force until price readjustment has been completed, they should strongly reassert themselves under the influence of ultimate better price relationships.

The list of supporting elements is by no means exhausted by the foregoing. Others include the prospect of lower taxes which will strengthen consumer purchasing power; the low level of private debt which if reexpanded will have the same effect; higher unemployment benefits, price supports for farm products and should the need arise, initiation of a sizable public works program and other federal budget operations.

With the existing elements of strength, our present situation can well stand some weakening of demand and some decline in overall prices. Far more important, in the long run, is reattainment of industrial peace, increased worker productivity and balanced cost-price relationships.

Nor does it follow that price deflation will spell lower profits for industry. Far from it. Lower prices will stimulate volume and may thus maintain, if not increase, profits. Lower prices will

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**From California**—"In all my experience as an executive secretary for twenty years I have never run across your superior in the way you have considered my situation and am favorably impressed." E. D. B.

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**From Nebraska**—"I wish to thank you for your report. You covered the subject thoroughly." G. V.

**From New York**—"I am in receipt of your valuable Preliminary Analysis of my holdings, for which I thank you. I had not contemplated that you would make such a really admirable report regarding my portfolio." H. A.

**From Ohio**—"Thank you for your immediate reply, including a preliminary analysis of my portfolio. I can honestly say that I am impressed by this report." D. B. H.

**From Oklahoma**—"Your Preliminary Analysis received and it seems to be what I am looking for. I am going to take this service and I intend to follow it." O. A.

**From Pennsylvania**—"Your Preliminary Analysis of my inventory of capital investments received. I wish to thank you for presenting it in such an excellent and comprehensive manner." N. J.

**From Texas**—"I am in receipt of your Preliminary Analysis of my stocks. I gave you a big job and you gave me a thorough report and I thank you." H. T.

**From Virginia**—"I am much impressed with your report which evidences that you have given thought and gone over my portfolio in a thorough and painstaking manner which pleases me very much. I recognize the soundness of your reasoning and of the suggestions made." F. W.

Just tabulate your securities, giving the amounts and purchase prices so we can consider the tax aspects of any changes. State your objectives so our advice can be as pertinent as possible.

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create new purchasing power by making the wage dollar go farther, just as rising prices reduce purchasing power and tend to contract business. The truth of this is being brought home to us right now. In today's environment, then, price deflation is a blessing rather than a misfortune, particularly in view of the forceful barriers in our economy that will keep deflation within bounds.

Deflation now will cut the ground from under the "boom and bust" cycle that many have been fearing. We still have a number of shortage industries, listed in the accompanying table, where deflationary price trends will be slow in developing. Both from a production and an earnings viewpoint, they face a prosperous period. In others, such as foods, textiles, radios, minor electric appliances, liquors, deflationary forces are already at work. That recent mark-downs in these fields have occurred without widespread repercussions is due to the fact that most concerns are in a financial position to absorb any resultant losses. Probably even more important is the fact that the prospect was widely anticipated, thus came as no particular shock. Business had ample time to prepare for it and to take measures, particularly as to inventory policy, and also in setting up ample reserves where cau-

tion has been the watchword for quite some time.

Stock prices have been way out of line with commodities; if price deflation gets under way, they need not go down with them. Rather, successful price readjustment should be followed by higher instead of lower securities prices. Recent market action points in this direction. There is much to support the view that price deflation, where it is most feared, has been largely discounted.

#### INDUSTRIES MOST VULNERABLE TO PRICE DEFLATION

Foods	Retail trade
Textiles	Radios
Liquor	Tire and rubber
Minor electrical appliances	

#### SHORTAGE INDUSTRIES WHERE PRICE DEFLATION WILL BE SLOW

Steel	Rayon
Sugar	Containers
Lumber	Farm Equipment
Paint	Office Equipment
Plastics	Non-ferrous Metals
Paper, Pulp	Railroad Equipment
Automobiles and Parts	
Building Materials (most of them)	

### A Study of Regional Shifts

(Continued from page 536)

dustrial sections.

When efficiency and productivity in an old plant have declined excessively, some companies, such as Burlington Mills, have found it desirable to shift production to an entirely new plant in a different location, rather than attempt to restore conditions in the old plant up to standard.

Other new plants are constructed merely to expand production, such as the recent purchase by Swift & Company of a 38-acre tract in Clinton, Iowa, for a new meat plant, or the Texas Company program for modernization and new refineries in West Tulsa.

Many companies have moved to localities nearer to their raw material supply, such as International Paper, and Union Bag & Paper, in establishing plants in southern timberland sections.

Other companies are moving into territories where they can obtain cheap power, such as natural gas in the Southwest, or electric-

ity from the Tennessee Valley Authority, the Boulder Dam in Colorado, or the Bonneville and Grand Coulee Dams in Oregon.

Some companies have expanded plants in order to increase the integration of their product, either in the stage before they receive material or after they ship it out. The Botany Mills, for example, is now manufacturing clothing from its own woollens and selling it direct to large retailers.

General conclusions as to ultimate effects of this widespread expansion program of American industry cannot safely be drawn by investors at this time. On the one hand, the reasons given sound convincing for decentralization.

On the other hand, during periods of business recession, the trend has been forced in exactly the opposite direction.

### Answers to Inquiries

(Continued from page 566)

to adjustment for depreciation since that date.

To be retained by Consolidated Steel are cash, government bonds, accounts and notes receivable, claims for tax refunds, government and other contracts. Inventories and work in process are to be purchased by Columbia for an additional amount to be determined at the time of sale.

<i>Amount to be received for fixed assets .....</i>		<i>\$ 8,293,319.00</i>
<i>Net current assets as of balance sheet on 8/31/46</i>		<i>15,312,286.00</i>
		<i>\$23,605,605.00</i>

From this should be deducted \$4,400,000, representing notes payable to banks. If stockholders approve dissolution, the net amount available to them will be approximately \$39.14 a share.

### Co.'s Paying Higher Div.

(Continued from page 539)

the entire list to show a comparison of the low prices in 1942 compared with the high level reached in 1946. It is rather startling to note that the average price gain for the entire group during this period came to 689% compared with a relative gain of only 129% for the 30 "blue chips" included in the Dow Jones industrials.

### UNITED STATES LINES COMPANY



Common  
Stock  
DIVIDEND

The Board of Directors has authorized the payment of a quarterly dividend of twenty-five cents (\$.25) per share payable March 10, 1947 to common stock holders of record February 28, 1947 who on that date hold regularly issued common shares (\$1.00 par) of this Company. Holders of former stock issues of the Company entitled to issuance of common stock (\$1.00 par) in exchange for their holdings will be paid this dividend when exchange is made.

CHAS. F. BRADLEY, Secretary  
One Broadway, New York 4, N. Y.

### PFEIFFER BREWING COMPANY 3740 Bellevue, Detroit 7, Michigan Dividend #37

A dividend of Twenty-five (25) Cents per share has been declared on the capital stock of this Company for the first quarter, payable March 28, 1947 to stockholders of record at the close of business March 12, 1947.

M. A. YOCKEY, Secretary and Treasurer

# UNIVERSAL PICTURES

Company, Inc.

## *Pictures of Distinction*

UNIVERSAL PICTURES COMPANY is now devoting its creative and technical resources to the production of pictures of outstanding distinction. The production of so-called "B" pictures, Westerns and serials has been eliminated.

It is our belief that the trend among the millions of moviegoers both in America and in countries overseas is toward increasing selectivity in their choice of screen entertainment.

Implementing this new production policy, Universal Pictures has acquired the entire assets of International Pictures Corporation, and the production organizations of the two companies have been merged. This combination of creative and technical talent, story properties and star contracts gives Universal one of the strongest production organizations in the motion picture industry.

William Goetz and Leo Spitz, outstanding producers, who headed International Pictures, have been placed in full charge of Universal's production activities at the studio. The company's productions now carry the trade mark of Universal-International Pictures.

In addition to 25 pictures of distinction being produced at its own studio, Universal Pictures has arranged for the exclusive distribution in this country and in Central and South America of British pictures produced by the J. Arthur Rank Organization, with the exception of 2 to be handled by another company and 5 to be distributed annually by Eagle-Lion.

### For Your Entertainment

#### UNIVERSAL-INTERNATIONAL Presents:

- The Egg and I—from Betty MacDonald's Best-Seller; Claudette Colbert and Fred MacMurray.
- Time Out of Mind—from Rachel Field's novel—Phyllis Calvert, Robert Hutton, Ella Raines.
- Song of Scheherazade—Yvonne De Carlo, Brian Donlevy, Jean Pierre Aumont—in Technicolor.
- Ivy—starring Joan Fontaine, Patric Knowles, Herbert Marshall and Richard Ney.
- I'll Be Yours—Deanna Durbin, Tom Drake, William Bendix and Adolphe Menjou.
- Portrait in Black—starring Joan Crawford.
- Smash-Up—The Story of a Woman—Susan Hayward, Lee Bowman, Marsha Hunt, Eddie Albert.
- Swell Guy—Sonny Tufts and Ann Blyth.
- The Exile—starring Douglas Fairbanks, Jr.
- Slave Girl—in Technicolor, starring Yvonne De Carlo and George Brent.
- Buck Privates Come Home—Abbott and Costello.
- Pirates of Monterey—in Technicolor, starring Maria Montez and Rod Cameron.

The J. Arthur Rank pictures shown here have been very favorably received. Critics and the public have been quick to recognize the outstanding quality of "Stairway to Heaven," "Henry V," "Caesar and Cleopatra," "Seventh Veil" and "Brief Encounter," to mention only a few. Box office results indicate that these British pictures offer a type of entertainment the American public wants to see. And as the British stars become more widely known here, there will be even greater interest in their forthcoming pictures.

### U. S. MARKET FOR BRITISH FILMS

These arrangements to distribute British pictures in this country mark the beginning of an earnest effort to provide the British film industry with an opportunity to add materially to the world-wide earnings of their pictures. It is our opinion that their pictures should have the same opportunity to earn revenues in this country as our pictures have in Britain.

This agreement presages a new era of co-operation in the motion picture industry. It not only provides the opportunity for the American public to see the best British product but paves the way for the exchange of acting, writing and directorial talent between United States and Great Britain.

### ENTER 16MM.—8MM. BUSINESS

Marking the entrance into an important new field, Universal Pictures has organized a new subsidiary, United World Films, Inc., to produce and distribute 16mm. and 8mm. entertainment, educational, religious and newsreel films. This subsidiary has purchased the assets of Castle Films, Inc., a leading producer-distributor of 16mm. and 8mm. films, and also the film library and distributing set-up of Bell & Howell Co.

### FINANCIAL PROGRESS

Net profit for the fiscal year ended Nov. 2, 1946, was \$4,565,219, equivalent to \$5.32 per share on 827,119 shares of common stock outstanding at the end of the fiscal year, after providing for dividends on the 4¼% preferred stock. This compared with \$3,910,928, or \$4.86 per share, a year ago.

The cost of selling and distributing motion pictures is likely to be increased as the result of a recent court ruling requiring changes in the industry's marketing methods. This was one of the factors that led the Universal management to adopt its new policy of producing only pictures of distinction. Naturally, however, it will take a reasonable period of time for these new production and distribution policies to become completely effective and reflect themselves in the company's over-all operations.

### Characteristics of the MOTION PICTURE INDUSTRY

It is surprising how few people seem to have any real understanding of how the motion picture industry operates as a business.

Few seem to realize that beneath the industry's Hollywood glamour there is a great basic stability.

The industry has an established market of over 90,000,000 paying customers a week in this country alone and upwards of 200,000,000 a week throughout the world.

It is a strictly cash business—one of the largest cash businesses in the world.

It had a cash income of over \$1,500,000,000 in this country alone last year. World revenues were over \$2,000,000,000.

It is one of America's great export industries. It is one of the few American industries whose product sells in every country in the world.

It is the No. 1 salesman of American goods throughout the world.

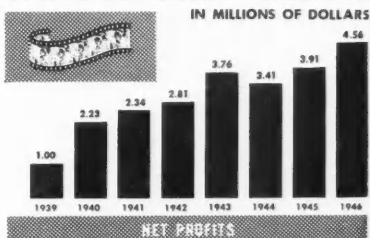
It is a relatively young industry. It has initiative and is aggressive.

It is an industry with tremendous long-term growth prospects.

It is one of the last industries to feel the effects of a depression. During hard times, going to the movies is one of the last things people care to give up.

When general business starts to pick up, the motion picture industry is among the very first to respond. Few industries enjoy such a high degree of resiliency.

Although the motion picture industry is often thought of as highly speculative, actually it has as many factors making for basic stability as any other leading industry, and more than most.



### PROGRAM FOR CURRENT SEASON

Universal's line-up of current and coming productions will be the strongest in its history. Under the new Universal-International banner, top ranking stars are appearing in productions with outstanding story values, including best-selling novels and Broadway stage successes. These pictures are being directed and supervised by directors and producers who have to their credit some of the most successful pictures turned out in Hollywood.

J. CHEEVER COWDIN, Chairman  
N. J. BLUMBERG, President

A copy of the Annual Report will be furnished on request to Universal Pictures Company, Inc., Rockefeller Center, New York 20, N. Y.

*For your delight I bring in haste  
The whiskey with the sunny taste*



## **SMOOTH—AND MELLOW AS MORNING SUNSHINE**

You'll find *more* than just rich, satisfying smoothness in Schenley Reserve. You'll find a *plus*... an *extra* measure of enjoyment in its famous Sunny Morning flavor. Try Schenley Reserve... America's most popular whiskey!



# **SCHENLEY**

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